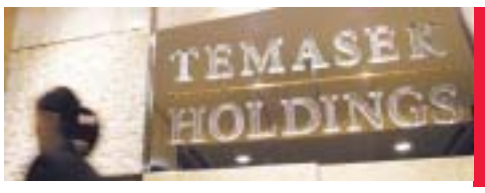
As of 4 p.m. ET **DJIA** 10388.90 ▲ 0.22% **FTSE 100** 5322.36 ▲ 0.18% **Nikkei 225** 10022.59 ▲ 0.45% **Shanghai Comp.** 3317.04 ▲ 1.61% **Hang Seng** 22498.15 ▼ 0.25% **Sensex** 17101.54 ▼ 0.49% **S&P/ASX 200** 4702.22 ▼ 1.52%



Asian sovereign wealth funds learn some tough lessons
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THE WALL STREET JOURNAL.

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Kuwait exits Citi at a profit

By Dania Saadi

DUBAI—The **Kuwait Investment Authority**, the country's sovereign-wealth fund, said Sunday it sold a $4.1 billion stake in **Citigroup** Inc., making a profit on the deal.

The fund, also known as the KIA, said it made a $1.1 billion profit from the sale of its entire Citi stake, or a 36.7% return on its investment, according to an emailed statement.

"The authority converted its preferred shares to common shares following negotiations with the bank's administration, selling all of the shares for $4.1 billion," the statement said.

The authority had invested $3 billion in Citi and an additional $2 billion in Merrill Lynch & Co. in 2008 as Wall Street lenders turned to outside investors to replenish capital hit by subprime-mortgage losses in the U.S.

Sovereign-wealth funds are unwinding their investments in Western banks after buying big chunks of lenders when share prices hit rock bottom at the height of the global financial crisis.

Government of Singapore Investment Corp. said in September it made a $1.6 billion profit by selling about half its stake in Citi after converting its holdings from preferred shares to ordinary shares.

The **Qatar Investment Authority**, another sovereign-wealth fund, in October sold a £1.4 billion ($2.3 billion) stake in British bank **Barclays** PLC, making a profit of about £610 million. The Qatari authority, which continues to hold about 7% of Barclays's shares, was the second sovereign-wealth fund to exit the British bank af-

Please turn to page 22

Philippine troops arrest 62 people after government declares martial law

Agence France-Presse/Getty Images

Members of a police special action force at their provincial headquarters Sunday in Shariff Aguak, Maguindanao province. Philippine troops used martial-law powers to arrest at least 62 people and dig up an arms cache as they continued their push to restore order after last month's massacre of 57 political activists and journalists. **Page 3.**

U.S. envoy on climate fuels discord over pledges

By Stephen Power And Ian Talley

WASHINGTON—The top U.S. climate negotiator said in an interview Friday that developing countries will have to make their emissions pledges "transparent" to outsiders and that the Obama administration isn't ready to follow Europe's lead in specifying how much money rich nations should contribute over the next decade to help poor countries respond to climate change.

The comments by Todd Stern, U.S. climate envoy, point to potential areas of friction at a two-week United Nations conference on climate change that begins Monday in Copenhagen and is expected to involve representatives of more than 190 countries. Major developing nations, such as China and India, have resisted making their emissions-related pledges subject to international verification, unless those reductions are financed or supported by developed countries.

European officials, meanwhile, are laying out specific estimates of how much the developed world will have to con-

Please turn to page 9

Japan shifts course in halting postal sale

By Alison Tudor

TOKYO—Japan's decision to scrap plans to privatize its massive postal-services agency shows the country is taking a dramatic turn away from its strategy of seeking to snap a two-decade economic funk by freeing up markets.

Japan's new government pushed through parliament a law on Friday freezing next year's planned sale of shares in **Japan Post** Holdings Co., which combines mail delivery with nationwide banking and insurance services. Controlling assets worth more than $3.4 trillion, Japan Post is one of the world's largest financial institutions. It is also seen by many economists here as a vast and stifling bureaucracy weighing down the Japanese financial sector.

Friday's move followed the Nov. 30 enactment of a law pressuring banks to ease repayment terms for struggling small businesses and homeowners. They are the first significant acts of Prime Minister Yukio Hatoyama's government, three months after his Democratic Party of Japan broke the Liberal Democratic Party's virtual monopoly on power over the past half century. That indicates a sharp shift in the country's approach to economic policy, with a focus more on trying to insulate households from market forces and slow growth than on harnessing deregulation to lift growth.

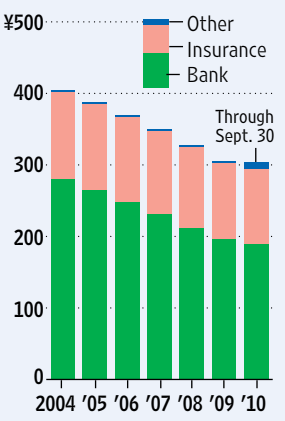
"What's lacking in the DPJ's policies is recognition that deregulation and private enterprise are the sources of economic growth," said Hiroshi Shiraishi, an economist at BNP Paribas in Tokyo.

For nearly two decades, Japan has battled over what's the best cure for its economic decline, which began with the bursting of an asset bubble in the early 1990s and evolved into a "lost decade" of banking crisis, deflation and political drift. Recent LDP leaders favored an American model of deregulation and privatization—with Prime Minister Junichiro Koizumi's 2005 postal privatization law standing as the centerpiece of an effort to steer Japan in a new direction.

The law reversing that effort, passed by the upper house of Japan's Diet, blocks the share sales of Japan Post's banking and insurance arms that were slated to begin next year. Aides to Mr. Hatoyama have replaced the retired private-sector banker who led Japan Post with a former finance ministry bureaucrat. They are now readying broader legislation for debate

Please turn to page 22

Downsizing
Japan Post's assets, in trillions of yen



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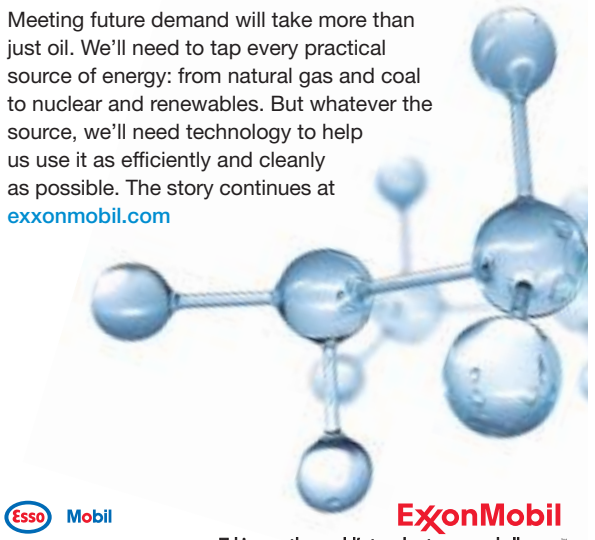

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* * *

Business & Finance

■ **The decline in the U.S.** unemployment rate to 10% in November nudges the Federal Reserve toward an eventual decision to increase interest rates, although such a move is still likely to be at least several months away. **7**

■ **On the surface**, things look pretty good for U.S. stocks, with indexes on the rise. But when analysts check the engine behind the recent growth, they see things that make them worry. **23**

■ **GM unveiled** a string of management changes, including a new role for Vice Chairman Bob Lutz and the promotion of some of the company's younger managers. **23**

■ **GM plans to cede control** of its key Chinese joint venture to partner SAIC Motor alongside a push by the partners into India and other emerging markets. **25**

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■ **U.S. IPO investors are spoiled** for choice this week as an American car auctioneer and four Chinese firms make their debuts. **27**

■ **The Tokyo Stock Exchange** was ordered to pay $121.3 million in damages to Mizuho Securities for losses the brokerage house incurred in a misstated order. **27**

■ **China sought to reassure** the world it is taking a conservative approach to managing its foreign-exchange reserves, saying it hasn't made big strategy changes. **4**

■ **Investors led by a U.S. firm** placed an order with Samsung Heavy for a $1.1 billion ship conceived as a luxury residence that will cruise the world. **24**

■ **Rio Tinto and BHP Billiton** signed a binding agreement to combine their western Australian iron ore operations. **26**

Reuters

Players of the Japanese rugby team toss their coach, Wataru Murada, into the air after Japan beat Hong Kong in the men's rugby sevens gold-medal match at the 5th East Asian Games in Hong Kong on Sunday. China leads the medal standings with 16 gold medals. Japan is second with 10, and South Korea has seven.

■ **Chevron said** it has a preliminary deal to sell liquefied natural gas from its Wheatstone project offshore Australia to Japan. **24**

■ **Apple acquired** online music company Lala Media, possibly signaling an expansion of the computer giant's music strategy. **26**

■ **U.S. prosecutors investigated** hedge-fund titan Raj Rajaratnam on suspicions of insider trading more than a decade before he was charged with securities fraud. **27**

■ **Kraft formalized** its offer for Cadbury as the U.K.'s top business minister warned that any bidder could face government opposition if it is seen as trying to make a "quick buck" on the company. **26**

■ **Labor shortages** and union demands threaten to boost costs, as construction begins on Australia's biggest resources development. **4**

* * *

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■ **Taiwan's opposition party** showed its strength in local elections, as President Ma's party lost some ground. **9**

■ **The detention** of two top leaders of one of the biggest separatist groups in northeastern India could provide the government an opportunity to push for peace in the region, analysts say. **4**

■ **The Taliban said** it would provide a "legal guarantee" that it wouldn't intervene in foreign countries if international troops withdraw from Afghanistan, the closest it has come to publicly distancing itself from al Qaeda.

■ **U.S. allies will send** an additional 7,000 troops to Afghanistan next year, a pledge that technically gives U.S. Gen. McChrystal the 40,000 new troops he requested. **6**

■ **The U.S. is preparing** for a significant weakening of the political position of Pakistan President Zardari, who is in a power struggle. **6**

■ **South Korea's labor ministry**, ruling party and unions struck a deal shifting costs from businesses to union members. **8**

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WORLD NEWS

New arrests in Philippine massacre

Troops use martial-law powers in sweep of southern region, and hold Ampatuan clan leader for questioning

By James Hookway

Philippine troops used sweeping martial-law powers Sunday to arrest at least 62 people and dig up an arms cache in the troubled south, as they continued a push to restore order to the region after the massacre of 57 political activists and journalists last month.

President Gloria Macapagal Arroyo imposed martial law late Friday in parts of the southern Philippines after the country's worst act of political violence yet, easing the way for the arrest Saturday of the patriarch of a powerful political clan in connection with the killings.

Mrs. Arroyo faces growing international pressure to dismantle a longstanding government policy of using clan leaders and local militias to hem in Muslim and Communist insurgencies in the Philippines. In some cases, the government has allowed clans to raise and command militias, while in other cases the clan leaders have co-opted militias nominally under police or army control.

While arming militias and tribal leaders helped contain rebel groups, it also led to virtually lawless zones where political killings, clan feuds and warlordism became commonplace, political analysts say, worsening the security situation in a region that is already home to the al Qaeda-linked Abu Sayyaf terrorist group.

On Dec. 2, two experts who report to the United Nations Human Rights Council warned that the Philippines must think hard about how the creation of such dynasties has contributed to a culture of violence that culminated in the Nov. 23 killings.

The experts, Philip Alston and Frank La Rue, speaking in Geneva, said the massacre should prompt the country to reconsider "elite family-dominated manipulation of the political processes and the need to eliminate such practices in order to assure the future of democracy in the Philippines."

In the wake of the killings, the Philippines appears to be taking steps toward stripping clan leaders of their power, but doing so will be difficult and could create problems of its own.

Mrs. Arroyo's decision to declare martial law, which effectively suspends civil rights, is the first time the measure has been used since the 1970s, when the late dictator Ferdinand Marcos imposed it on the entire country.

Mrs. Arroyo also instructed an independent commission to dismantle militias and private armies in the southern Philippines.

Justice Secretary Agnes Devanadera defended the imposition of martial law in a news conference Sunday. She said the judiciary in Maguindanao province, where the killings took place, was no longer functioning, and warned that local political leaders were planning a rebellion against the government.

Many politicians have objected to the measure, in large part because of the civil-rights abuses that occurred during the Marcos dictatorship. Opposition Senator Benigno Aquino III—a leading presidential candidate in next May's national elections and the son of prodemocracy leader Benigno Aquino Jr. and former President Corazon Aquino—said he was against imposing martial law on the basis that it might be excessive, and raised the possibility of challenging the measure in the Philippines' Supreme Court.

It's unclear what will happen if the government succeeds in dismantling clan-based militias. Some officials argue that the groups are important for maintaining order in the southern Philippines, and that it could take a long time to build effective institutions in the region to replace them.

Armed-forces chief Gen. Victor Ibrado said clan leader Andal Ampatuan Sr., a former governor of Maguindanao province, was taken into custody for questioning Saturday morning, along with at least six other family members. His son, Andal Ampatuan Jr., surrendered to authorities on Nov. 26 and was charged with multiple counts of murder Tuesday. However, prosecutors have said his father, once a key ally of Mrs. Arroyo, remains a primary suspect.

> Officials are probing whether the army supplied ordnance found at the Ampatuan compound.

The Ampatuan family has denied any involvement in the killings, which occurred when supporters of local vice-mayor Ismail Mangudadatu and 30 journalists traveled to file his candidacy for the governorship of Maguindanao province. They were abducted by around 100 armed men and taken to a secluded area where they were killed.

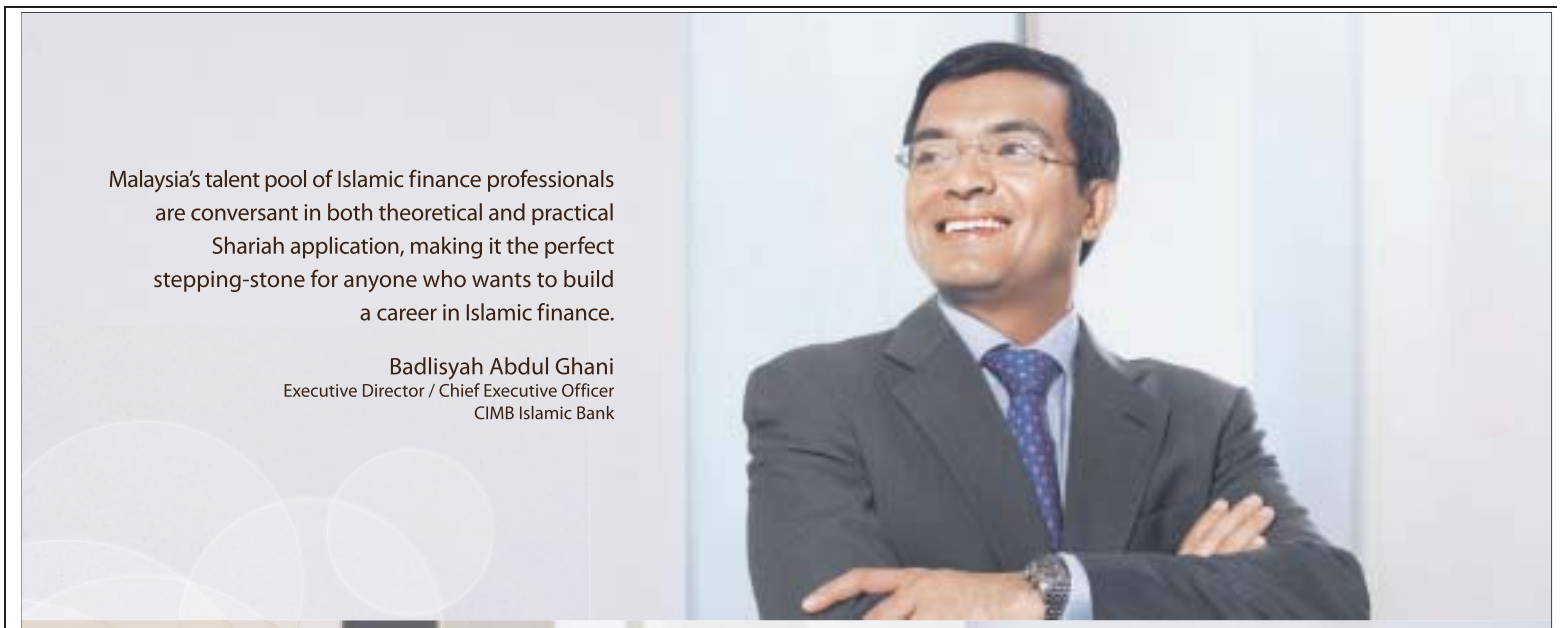
Investigators say several of the female victims were sexually assaulted. Some of those killed were simply passing by the scene of the attack.

On Sunday, after the arrest of 62 more suspected followers of the Ampatuan clan, the Associated Press reported police director Andres Caro as saying soldiers and police were pursuing around 4,000 other armed members of the Ampatuan faction who had gathered in various towns in Maguindanao.

On Friday, hundreds of troops surrounded the Ampatuan family compound in Shariff Aguak in Maguindanao, unearthed ammunition buried in the grounds, and seized other military equipment stored in the area. Military officials are investigating whether the ordnance was supplied by the Philippine army.

Soldiers found another arms cache Sunday.

The massacre has raised fears of further violence in the run-up to national and local elections in May.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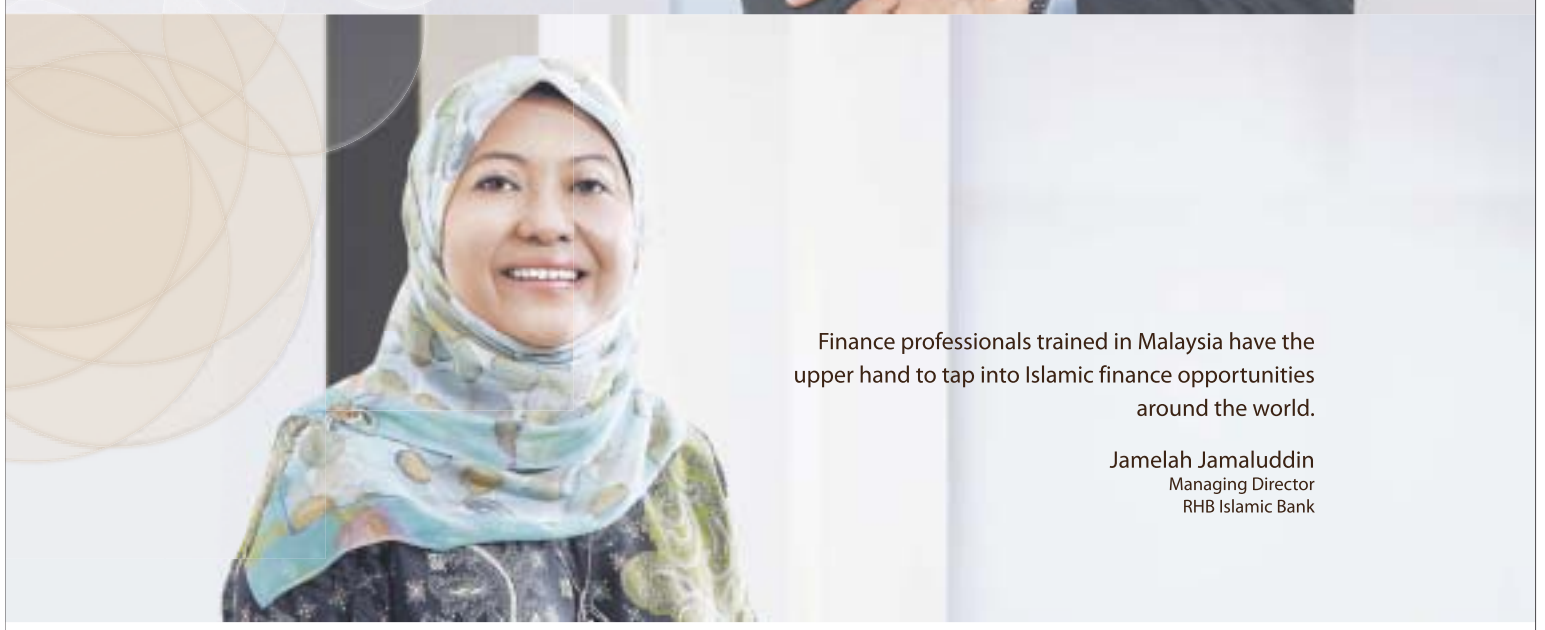
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WORLD NEWS: ASIA

China reassures investors on dollar

Senior regulator says Beijing isn't selling its holdings of U.S. Treasurys, will take conservative approach to policy

By Terence Poon

BEIJING—China sought to reassure the world that it is taking a conservative approach to managing its massive foreign-exchange reserves, with officials saying it hasn't made big changes to its strategy and the dollar remains a central asset.

The statements by a senior regulator, later supplemented by a book published by the State Administration of Foreign Exchange, seem intended to reassure investors that Beijing isn't selling its vast holdings of U.S. Treasurys, despite worries the dollar is likely to depreciate.

China holds the world's biggest reserves of foreign currency—$2.27 trillion at the end of September—and so is watched by global investors concerned about its moves in financial markets and by Chinese citizens worried about their nation's wealth.

"The composition remains as it was before. There is no major change" in the reserves, said Wang Xiaoyi, vice director of SAFE, which oversees the reserves. "We are not making any big adjustments in direction. Our operations are still as usual, meaning they follow the existing forex reserves management goal," he said on the sidelines of an economic forum in Beijing.

China has repeatedly said it follows the principles of keeping reserves safe and liquid, while seeking to increase their value.

Hours after the forum, SAFE posted a Chinese-language book about foreign-exchange issues on its Web site. The normally publicity-shy organization said the unusual move was an attempt to increase transparency on how it manages its foreign-currency holdings.

"A stable, diversified structure of currencies, with the U.S. dollar as the main component but with some appropriate diversification, is able to meet our needs of external payments and asset allocation," SAFE said in a chapter of the book on reserve management. It didn't give precise details on how China's reserves are invested.

With the dollar's slide in recent months, academics and officials outside SAFE have stepped up calls for more diversification of the reserves into other investments such as gold and commodities. But SAFE stressed in the book it is inappropriate to invest a large portion of the reserves in volatile and illiquid assets.

"The forex reserves must maintain enough liquidity," it said in the book. "Not only must they satisfy the usual demands of external payments, such as importing necessary materials and technology and encouraging companies to expand abroad, they must also play the role of ensuring the nation's financial security when there may be rapid capital outflows and the currency comes under heavy pressure."

Senior Chinese officials, including Premier Wen Jiabao, have repeatedly expressed concern about the dollar this year. China, which holds most of its foreign-currency reserves in dollar assets, worries massive U.S. government borrowing could eventually result in inflation, hurting the value of China's holdings.

Mr. Wang said the "depreciation of the U.S. dollar is a long-term trend." In the near term, however, the dollar's key role as the global reserve currency won't change, SAFE said in the book.

The size of China's reserves continues to grow, with the central bank intervening to hold down the value of its currency, the yuan. Mr. Wang said that China's reserves expanded monthly in November and October from the previous month. Official reserve data are available only until the end of September.

—Li Liu and Victoria Ruan contributed to this article.

Bloomberg News

A worker operates a diamond drill at Ivanhoe Australia's project near Cloncurry, Queensland in September.

Australia faces labor shortage

By Elisabeth Behrmann

SYDNEY—Labor shortages and labor-union demands threaten to boost costs, as construction begins on Australia's biggest-ever resources development, the Gorgon liquefied natural-gas project and as other large projects are approved.

Senior industry participants and the central bank have warned for weeks that Australia's rapid resources development could face the same problems of two years ago when labor and equipment shortages forced companies to revise up project costs and extend timelines.

Now those warnings appear to be proving true, with labor unions using the expected strong demand for skills to exercise their power.

More than half of the workers at **Woodside Petroleum** Ltd.'s Pluto LNG expansion went on strike this past week, unhappy about accommodation arrangements at the site. Last month, the company also announced a US$1.1 billion cost blowout at Pluto, citing lower-than-expected productivity levels during construction.

On Friday, Maritime Union of Australia members went on strike at Total Marine Services, a shipping company servicing the offshore oil and gas sector, to press for higher wages and benefits. The 48-hour work stoppage follows a strike last month against **Farstad Shipping** ASA, a key contractor for Woodside, **Chevron** Corp. and **Apache** Corp. serving drill rigs and production platforms.

Union workers also plan a strike at **Go Offshore**, another of the 15 major vessel operators in Australia.

The ship workers are demanding a 30% pay rise over three years and pay parity with construction workers on offshore oil and gas projects, which the Australia Mines and Metals Association said could amount to an extra 90,000 Australian dollars (US$83,322) a year for each worker.

"Just two short years ago there was a massive talent gap in the resources industry," Marius Kloppers, **BHP Billiton** Ltd.'s chief executive, said Nov. 18. "I believe this gap will return along with demand."

The government is trying to address the problem. It expects around 80 major job-generating projects to take shape through 2020, including the A$43 billion Gorgon development, and predicts a rise in demand for skilled labor, including electricians, welders and pipe fitters, of up to 70%.

According to the RBA, mining investment has already risen to record levels as a share of gross domestic product, and could rise substantially in the next five years.

Much of this investment is concentrated in the oil and gas sector in Western Australia. The government's chief commodities forecaster, the Australian Bureau of Agricultural and Resource Economics, said last month the value of advanced resource projects—those committed or under construction—jumped 41% to a record A$112.46 billion in the six months to end October.

Aside from LNG, major developments are also in the pipeline for the iron ore, uranium and gold sectors.

There aren't yet any official figures to confirm the increase in demand—the most recent figures are for the second quarter and show the country's resources sector employed 159,500 people, 6,700 fewer than the previous quarter. But the government estimates that an extra 70,000 skilled workers will be needed in the resources sector until 2020 to meet the demands of about 80 new projects, and a task force met last month to decide how to tackle the problem.

One problem for developers is that many projects are concentrated in vast, thinly populated Western Australia. In the state's Pilbara and Mid-West regions, workers on remote sites can earn up to 40% more than in a similar position in a city.

Assam rebel group sees power diminish

By Eric Bellman

MUMBAI—The detention of two senior leaders of one of the biggest separatist groups in northeastern India could provide the government with an opportunity to push for peace and stability in the restive region, analysts say.

Arabinda Rajkhowa, chairman of the United Liberation Front of Asom, or ULFA, and one of his deputies were in police custody over the weekend. Reports differed on whether they had given themselves up, were arrested or were nabbed in neighboring Bangladesh.

Security analysts said their apprehension could mark the end of the powerful ULFA rebel movement that has been fighting for decades for an independent Assamese homeland, since only one of its top leaders is still on the loose.

Begun in the late 1970s, the ULFA movement was born from a long-standing frustration of many Assamese that their homeland was being taken over by migrants as well as concern that the central government was sapping the state of its natural resources without giving much back to its original inhabitants.

It is one of the largest of many rebel groups in India's northeast and an important source of training and arms for smaller groups, according to analysts. It is also one of India's biggest internal insurgent groups, along with the nationwide Maoist rebel movement known as Naxalites and separatists in the disputed territory of Kashmir.

But the ULFA has been losing strength recently, analysts said, as its members have had trouble finding places to hide and train. It has also been divided, they said, as some of its leaders have started to consider dropping its demand for an independent state. Only its top leader and military commander, Paresh Baruah, remains free.

"Only one member of the executive committee of ULFA remains at large. Everyone else has come into official custody," said Ajai Sahni, executive director of the Institute for Conflict Management in Delhi. "This is very important."

Analysts said the movement's leadership is being caught this year as it has been forced to leave safe havens in Bangladesh and other countries. With nowhere to hide and many of its leaders in custody, the ULFA may be ready to negotiate an end to hostilities and to its demand for independence, they said.

While the government would never consider allowing the state of Assam to become a separate country, it could reach out to the ULFA and the Assamese who have backed it by offering to bring more development to the region, analysts said.

"Just because most of the [ULFA] leadership is in their custody does not mean the government can dictate terms. There has to be some compromise to convince the militants to come out and join the mainstream," said S. Chandrasekharan, director of the South Asia Analysis Group in Noida. "This is a golden opportunity. It should not be missed by the government of India or the people of Assam."

While the organization probably has fewer than 500 armed fighters, it still has the ability to attack soft targets. The government needs to use the upper hand it holds to persuade them to put down their arms, analysts said.

Even as it has been on the run, the ULFA is suspected of having carried out many attacks this year, analysts said. Last month, more than six people were killed and 40 wounded by two bombs planted on bicycles in front of a police station and a shopping complex in an Assam town. Police at the time said they suspected the ULFA was behind the blast.

—Krishna Pokharel contributed to this article.

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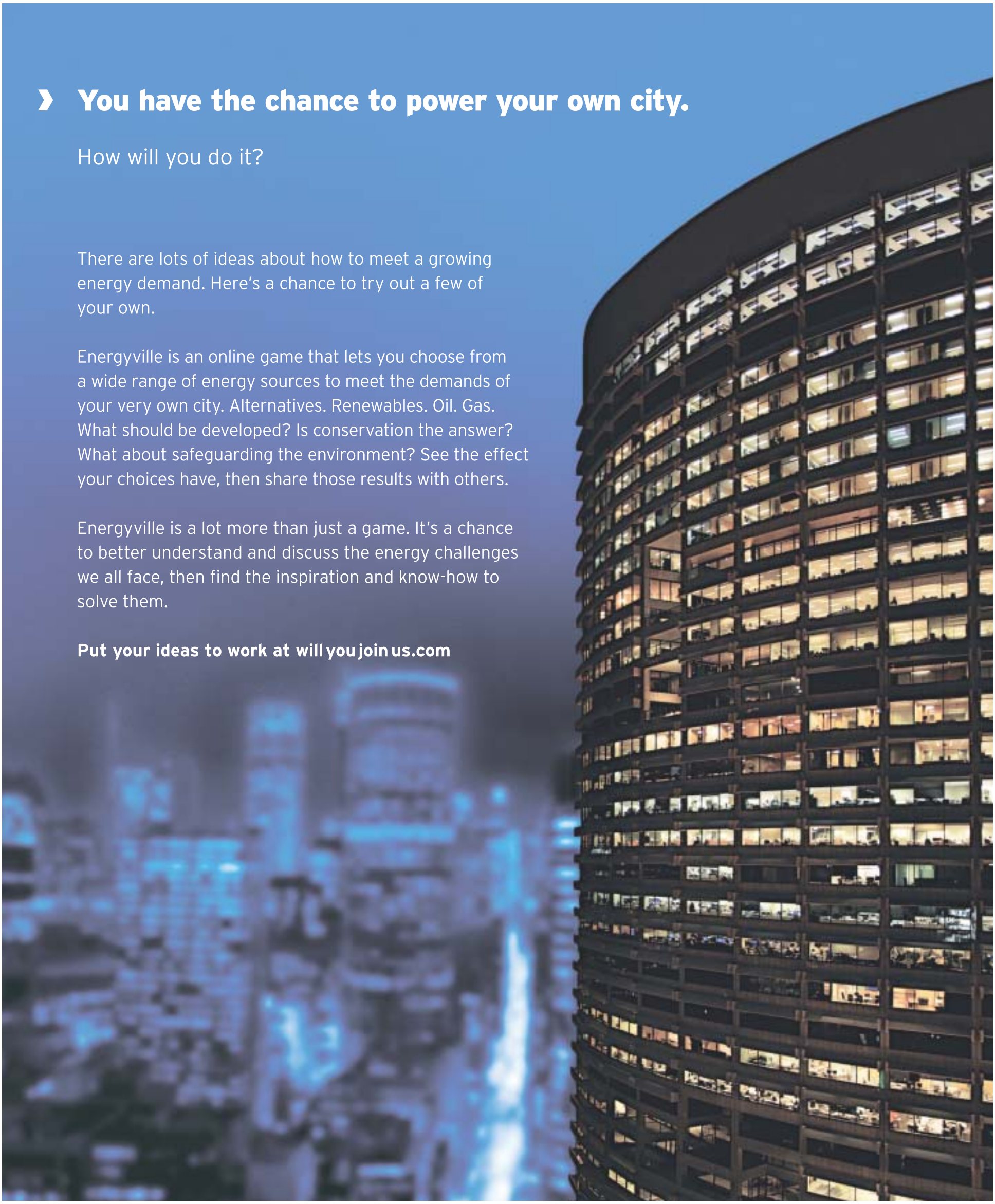

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U.S. anticipates Zardari will weaken

Amid a power struggle in Pakistan, Obama administration is aiming to significantly remake its ties with Islamabad

By Jay Solomon

WASHINGTON—The Obama administration is preparing for a significant weakening of Pakistan President Asif Ali Zardari's political position in the coming months, as pressure intensifies for him to shift executive powers to his country's prime minister and military.

Pakistan's power struggle comes as the Obama administration is seeking to significantly remake its relationship with Islamabad, tied to the U.S. decision to send 30,000 additional troops to help rout insurgents in neighboring Afghanistan.

Mr. Zardari announced last week that he was transferring formal control over Pakistan's nuclear arsenal to Prime Minister Yousuf Raza Gilani, and Pakistan's president is being pressured to shed additional powers—such as the right to dismiss the parliament and make key military appointments.

U.S. officials say that significant opposition to his rule has limited Mr. Zardari's effectiveness. He also been dogged byold corruption charges. A 2007 amnesty agreement on them recently expired, potentially exposing him to a court challenge to his rule.

The Obama administration, said senior U.S. and European officials, has worked to develop ties to other leaders including Mr. Gilani, the likely beneficiary of any changes.

Reuters

Pakistani Prime Minister Yousuf Raza Gilani, center, and other top officials attend a funeral Saturday for victims of a terror attack on a mosque near the military headquarters in Rawalpindi on Friday that killed at least 37.

The Obama administration's point man on Pakistan and Afghanistan, Ambassador Richard Holbrooke, has also been conducting regular discussions with opposition leader Nawaz Sharif and with Islamabad's generals, to ensure constitutional process is observed as powers are shifted away from Mr. Zardari, said U.S. officials.

The State Department worried in March that Islamabad could be gripped by political paralysis when Mr. Sharif indicated he would challenge Mr. Zardari's rule. But senior U.S. and European officials said there now is little alarm in Washington that a diminished role for Mr. Zardari—who generally supports U.S. policy—could substantially undercut efforts to stabilize the region.

American diplomats note that Mr. Zardari campaigned on amending Pakistan's constitution to limit the president's powers to rectify moves made by former military strongman, Pervez Musharraf, who stepped down in 2007.

"We don't depend on Zardari as the government, a la Musharraf," said a senior U.S. official working on Pakistan. "One of the achievements we've made over the past year is that our relationship is broader, and government-to-government."

Mr. Holbrooke has sought to improve relations with Mr. Sharif, a former prime minister largely shunned by the Bush administration due to his ties to Islamist political parties. Mr. Holbrooke has also kept open discussions with Mr. Gilani.

Many Pakistan analysts credit the engagement with helping build consensus in Pakistan for pursuing military operations against the Taliban. After years of largely refraining from fighting, Pakistan's army has launched offensives in the Swat Valley and the South Waziristan region in recent months.

"The Obama administration played the political card about as well as they could," said Christine Fair, a Pakistan expert at Georgetown University.

President Barack Obama has asked Mr. Zardari for more effort to combat five militant groups, according to officials.

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Allies help achieve Afghan troop goal

By Jay Solomon
And Stephen Fidler

BRUSSELS—The top official in the North Atlantic Treaty Organization said 25 countries will send an additional 7,000 troops to Afghanistan next year—a pledge that technically gives U.S. Gen. Stanley McChrystal the 40,000 new troops he requested.

Secretary of State Hillary Clinton called the commitment "significant" and U.S. officials voiced optimism that allies would agree to send even more soldiers.

U.S. officials have been privately pressing France and Germany to provide additional forces. Both countries have said they are waiting until an international conference at the end of January to decide whether to commit more troops.

President Barack Obama announced Tuesday that he was committing at least 30,000 additional U.S. troops to Afghanistan—with a plan to begin withdrawing them in July 2011—in a bid to reverse gains made by the Taliban and support the elected government in Kabul. Senior military and defense officials said Defense Secretary Robert Gates had presidential authorization to send an additional 3,000 U.S. reinforcements.

Mrs. Clinton and other American officials met with foreign ministers from NATO and other countries with forces in Afghanistan in Brussels on Friday.

U.S. officials said they were particularly looking for additional trainers to prepare Afghanistan's security forces to take over the operations from U.S. and NATO forces over the next 18 months.

"This is a significant commitment by our NATO and [other] partners," Mrs. Clinton said. "The additional American and international troops will allow us to accelerate handing over responsibility to Afghan forces."

In Washington, White House spokesman Robert Gibbs said the White House was "extremely pleased" with the contribution of other countries.

"The strongest message in the room today was solidarity," said NATO Secretary-General Anders Fogh Rasmussen of Denmark. "Nations are backing up their words with deeds."

Neither NATO's chief nor Mrs. Clinton provided a complete breakdown of the nations providing additional troops for Afghanistan.

Many troops have had less adequate training than U.S. forces, or are limited in their participation in the war.

Recently, NATO members Britain, Italy and Poland all announced commitments of between 680 and 1,200 new troops. Georgia, a non-NATO nation, has committed more than 900 new soldiers. Many of the Georgian troops will be paired with U.S. and French forces in Afghanistan's heavily contested south.

Mrs. Clinton also stressed the U.S. wasn't setting July 2011 as a clear exit date for American forces. Rather, she described it as an important assessment point.

Data give Fed impetus to act on rates

Unemployment-rate decline is first since before crisis; officials considering alternatives as economy shows improvement

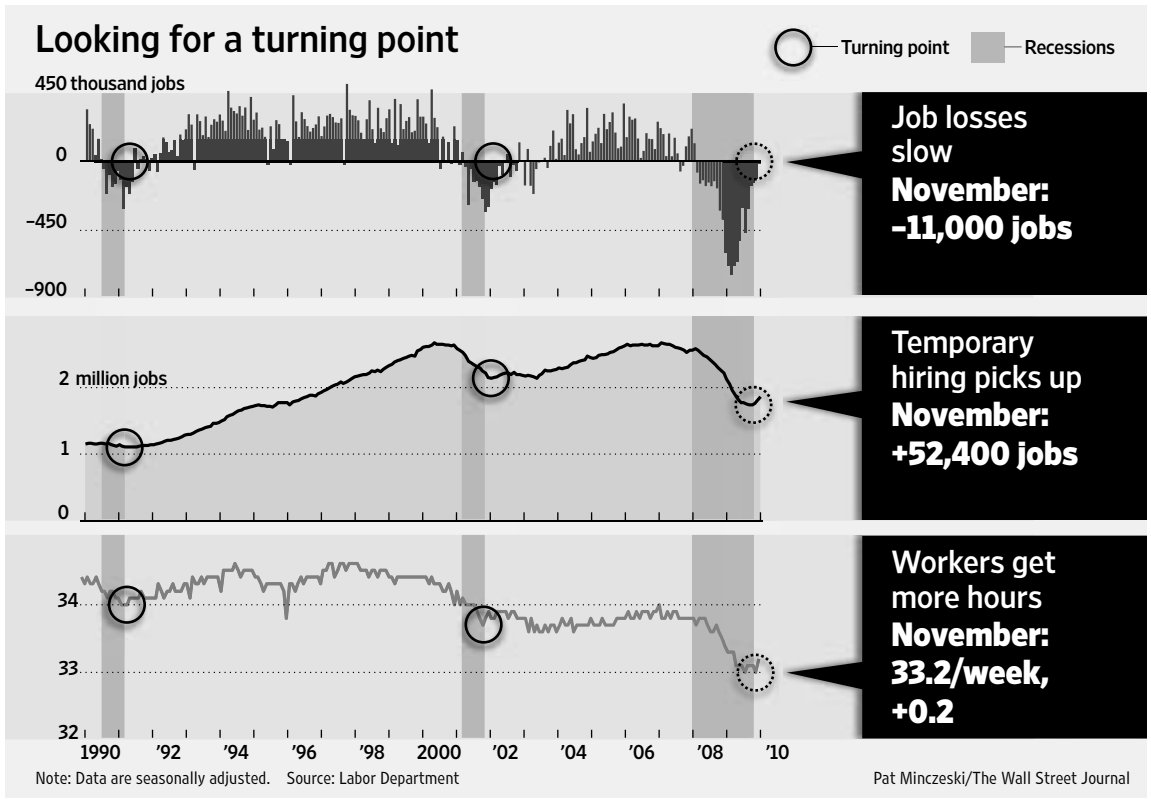
By Jon Hilsenrath

The latest U.S. jobs report—in which the unemployment rate fell after a two-year climb—has nudged the Federal Reserve a little closer to the moment when it will raise interest rates.

A decision to raise U.S. interest rates is still likely to be at least several months away. But Fed officials are considering other steps they could take as they inch in that direction, and they will likely debate them as early as their Dec. 15-16 meeting.

The November unemployment report, issued Friday, put the jobless rate at 10% compared with 10.2% for October, when it crossed into double-digit territory for the first time since 1983.

The U.S. Labor Department said employers shed 11,000 jobs in November, the fewest since the recession began in December 2007. Upward revisions showed the U.S. lost 159,000 fewer jobs in September and October than previously thought. Friday's report raised hopes that unemployment has neared its peak.



At the Fed, the jobs report was greeted as some of the strongest evidence yet that the economy is improving, and may continue to improve next year even as the effects of the government stimulus wane. The Fed has cut interest rates to near zero, flooded the financial system with nearly $1 trillion and signaled that it intends to keep interest rates low for an "extended period."

Investors took Friday's jobs report as a sure sign that the Fed has gotten closer to raising its target for the federal-funds rates, at which banks lend to each other overnight, from its current level of between zero and 0.25%. Futures markets Friday put a 68% probability that the target will be raised to 0.5% by June and more than 90% odds that it will hit 1% by next December.

Charles Plosser

Asked about the jobs numbers Friday, Charles Plossser, president of the Federal Reserve Bank of Philadelphia, said, "It's hard not to take some good news away from that...but I'd emphasize one month does not a trend make."

A double-digit unemployment rate puts downward pressure on wages and inflation. Rate increases typically only come after the unemployment rate has peaked. Friday's decline in the jobless rate, tied with other signals of gradual recovery in the labor market, could press officials to start a conversation about when interest rates should start moving higher.

Among the options the Fed is likely to ponder is a change in the wording of the statement it issues after the meeting. It could emphasize the economy's improvement and that it has begun to absorb unused resources such as sidelined workers and idle plant capacity. It could also soften the prediction that interest rates will remain very low for "an extended period," though officials are likely to be cautious about dropping those impactful words altogether.

The Fed already has taken several steps to move policy toward normal. Terms on some of the Fed's emergency lending programs to banks have been tightened and some of those programs will soon expire. It has stopped buying Treasury bonds, an effort it undertook to reduce long-term interest rates, and has announced plans to end its purchases of mortgage-backed securities early next year.

It could also set its sights on loans it makes directly to banks at its discount window. At the outset of the financial crisis in 2007, the Fed narrowed the difference between interest rates on discount window loans and the target for rates on loans banks make to each other overnight, the federal-funds rates.

The gap, which was a full percentage point before the crisis, is now a little more than one-quarter-percentage point, a move the Fed made to make emergency discount window loans more appealing for banks in need. With markets returning to normal and banks less in need of discount window loans, it could push that gap back toward pre-crisis levels, which would mean raising the discount rate.

In comments to the New York Economic Club last month, Mr. Bernanke highlighted the dismal condition of the labor market as one of his main concerns. The unemployment rate is still a very long way from the 5% to 6% that most economists believe is its natural long-run level.

One part of the coming debate among Fed officials will be whether they wait to tighten credit until slack in the economy—high unemployment, for instance—diminishes substantially or whether they should move merely on signs of improvement.

Meantime, some analysts anticipate the jobless rate will rise again. James O'Sullivan, chief economist at brokerage firm MF Global, said he still expects the unemployment rate to peak at 10.5% in the first quarter of next year.

President Barack Obama, who was hosting a jobs summit in Allentown, Pa., on Friday, echoed the November report's cautiously optimistic tone. "The trend line right now is good, the direction is clear," said Mr. Obama. "But good trends don't pay the rent. We've got to actually grow jobs."

In a speech on Tuesday, Mr. Obama is expected to detail the job initiatives he plans to send to Congress. An administration official said the president favors new incentives—possibly tax credits—for small-business hiring, as well as new infrastructure spending and increased aid to state and local governments.

Congressional consideration of such measures isn't likely until next year. But Democrats hope by year's end to extend unemployment and health benefits for jobless workers for 12 months beyond the scheduled 2010 expiration.

Service-sector employment rose in November for the second month in a row. Jobs were added primarily in education, health care and some business services. Manufacturing and construction continued to cut back.

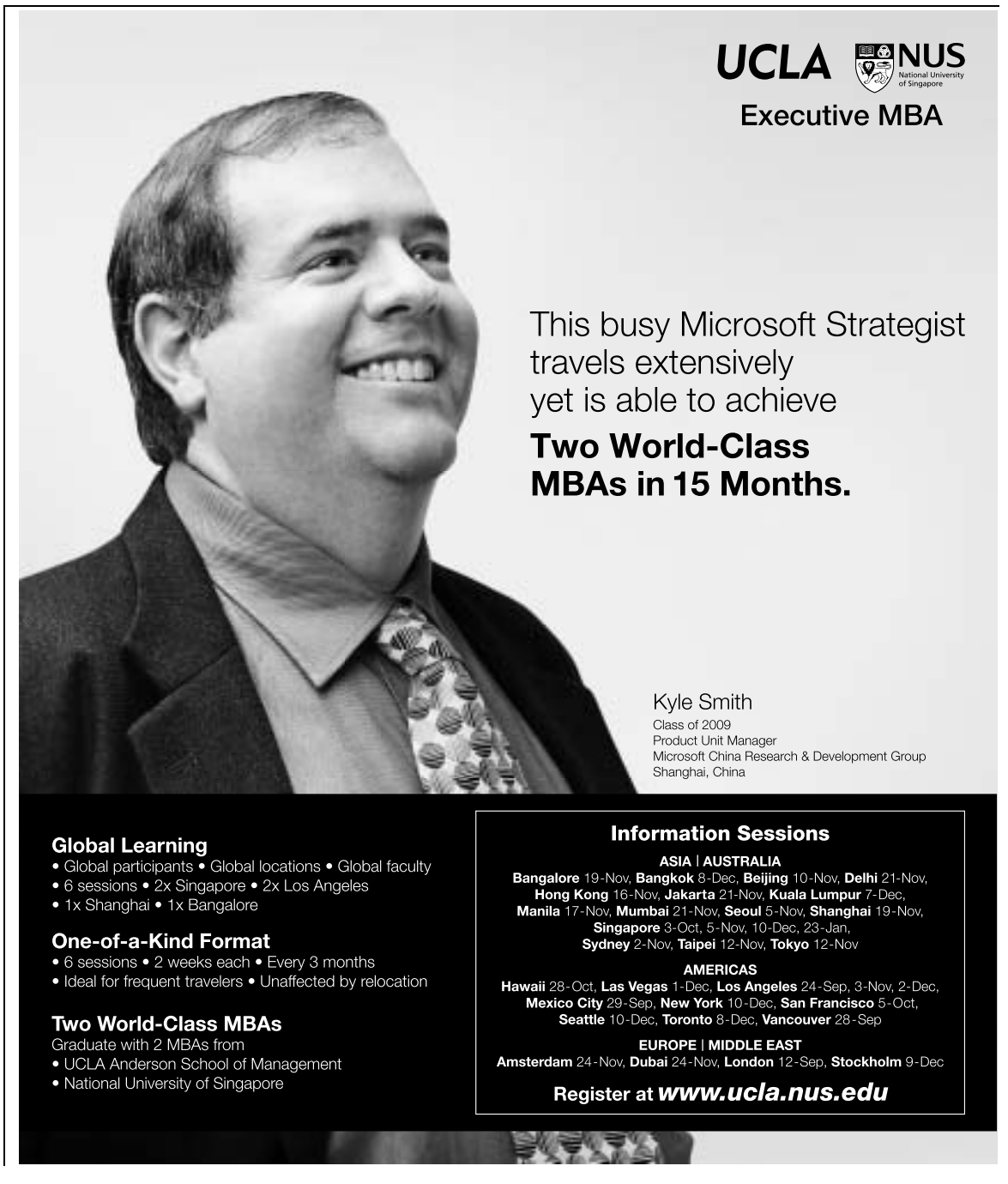
Friday's report also showed some encouraging signs, as the number of temporary workers rose for the fourth straight month and the length of the average workweek expanded.

Yet Friday's report also illustrated the challenges the nation faces in lowering the unemployment rate. Although companies cut fewer workers, November still marked the 23rd straight month of overall job losses.

Some 15.4 million Americans were unemployed in November, more than twice as many as when the recession began.

The average duration of unemployment grew by about two weeks, to 28.5 weeks in November—the highest on record.

—Michael S. Derby, Kelly Evans, Justin Lahart and Naftali Bendavid contributed to this article.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WORLD NEWS

South Korea GDP rises

Higher-than-expected growth rekindles debate on interest-rate levels

By In-Soo Nam

SEOUL—South Korea's economy grew at a faster pace than initially thought in the third quarter, data issued Friday showed, rekindling debate on when the central bank should raise rates.

Gross domestic product in the three months rose 3.2% from the previous quarter and 0.9% from a year earlier. The central bank's preliminary estimate in October showed a 2.9% quarter-to-quarter rise and 0.6% year-to-year gain.

Economists said the Bank of Korea is unlikely to raise rates at a review this week, but will find it hard not to tighten policy in next year's first quarter.

"The latest data prove the recovery momentum has strengthened and may prompt criticism of the government, which loudly reiterates that it will maintain expansionary policies," said Eugene Investment & Securities economist Shin Dong-suk. He expects the BOK to raise its benchmark rate in March.

"More private spending and increased investments in facilities, which are reflected in the September output data, led to better results," the BOK said in a statement. "Manufacturers' active inventory de-stocking also prompted a rise in production."

It was the fastest three months of growth since the 2002 first quarter, when GDP grew 3.8% quarter-to-quarter. In the second quarter of 2009, the economy grew 2.6% from the prior quarter, but shrank 2.2% year-to-year.

Kwon Goohoon, an economist at Goldman Sachs, said the sequential recovery trend will likely weaken in the current quarter on waning government fiscal stimulus, but growth will continue to be on track, forcing the BOK to raise rates, possibly as early as in February.

The BOK has left its key interest rate unchanged at a record low of 2% for nine months after slashing the rate by 3.25 percentage points in the five months through February to prop up the nearly $1 trillion economy.

The latest data are likely to prompt the hawks within the central bank to push for a rate increase soon, but the government reiterated its intent to stick to an expansionary macroeconomic policy just hours after the GDP data were released.

The Korea Development Institute, a government think tank, said last month it expects GDP to rise 5.5% next year and called for an early and gradual exit from loose monetary and fiscal policies as the recovery is expected to result in an uptick in inflation and boost already high real-estate prices.

The government is widely expected to raise its target for economic growth next year to 5% from an earlier projection of 4% when it issues its 2010 forecast this week.

—Kanga Kong contributed to this article.

Seoul, unions forge deal shifting costs to members

By Evan Ramstad

SEOUL—South Korea's labor ministry, ruling political party and key unions late Friday struck a deal to implement—after another delay—the main parts of a 13-year-old labor law that shifts major union costs from businesses to union members.

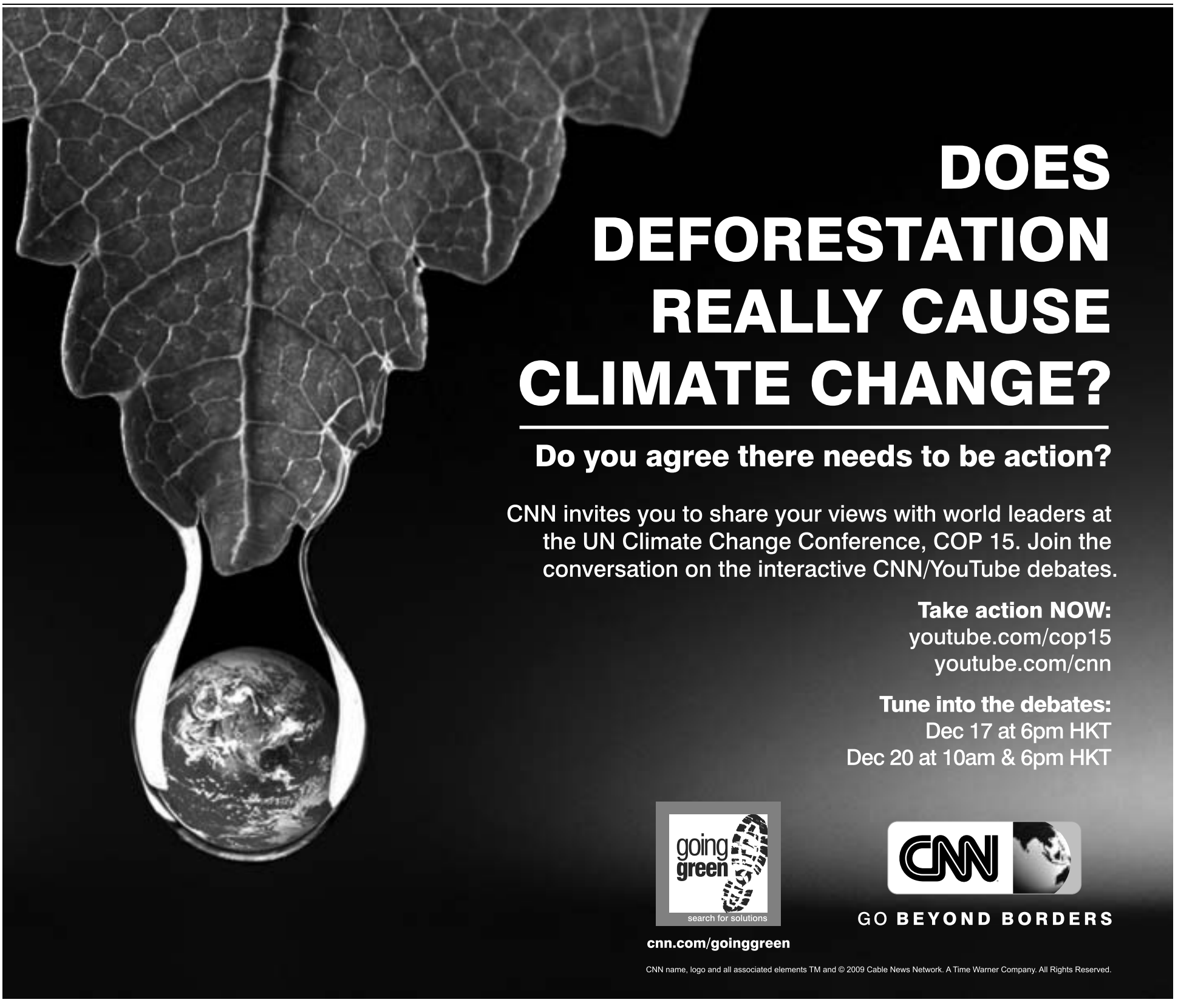
Under a law passed in 1996, South Korean union members—rather than the companies where they work—were supposed to start paying the union salaries of their leadership. Unions were also supposed to be stripped of their monopoly power on a workplace by allowing more than one union to attempt representation of workers in South Korean companies.

But the government never implemented the law because unions have repeatedly threatened strikes and other actions. Several months ago, the Ministry of Labor said it would begin enforcement at the start of 2010, a move widely seen as one of the first major actions by the government of President Lee Myung-bak to implement business-friendly practices promised when he campaigned for the office two years ago.

Unions protested, however, and government officials decided to negotiate. In the deal reached Friday, labor union leaders starting on July 1 will have to hold jobs at the companies where they represent workers, and the union members will be responsible for compensating leadership. But the deal also requires that companies allow union leaders to take time off for union activities and pay their salaries during that time.

Business groups said that opens the possibility for leaders to make broad claims on the need for union activities and force employers to continue providing most of their compensation. The government said it will define the type of work that qualifies for company payment early next year.

The deal also postponed allowing multiple unions to compete for representation at South Korean companies until July 2012.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U.S. climate envoy could fuel Asia rift

Continued from first page

tribute over the next decade to help poor nations tackle climate change. The European Commission, the executive arm of the European Union, has said anywhere from €22 billion ($33 billion) to €50 billion will have to come directly from the public budgets of rich nations.

In an interview with The Wall Street Journal Friday, Mr. Stern said the Obama administration is "not focusing on a 2020 number," but rather is trying to determine what "an aggregate number should be from developed countries" over the next two or three years. U.N. officials have said they expect that international negotiators might agree to a $10-billion-a-year short-term financing package in Copenhagen, a level that some small-island countries say is an order of magnitude less than what they need to cope with the impact of hotter temperatures.

Mr. Stern declined to comment on recent proposals by China and India to reduce their emissions intensity, or the amount of carbon-dioxide emissions per unit of gross domestic product. But he suggested the U.S. will insist on independent verification of any pledges made by developed and developing to control emissions.

"There needs to be transparency with what all the major players are doing, whether you're developed or developing," Mr. Stern said. "It's very important."

Mr. Stern's reluctance to offer specifics on the U.S. negotiating position at Copenhagen highlights the political bind the Obama administration finds itself in as it tries to bring about a global agreement to reduce emissions of heat-trapping gases. The U.S. Senate, preoccupied with health-care legislation and debate over U.S policy in Afghanistan, has put off a vote on legislation to cap U.S. emissions until next spring. That move has constrained Mr. Obama's ability to predict how much money the U.S. could contribute to a long-term financing package for the developing world. Legislation passed by the House of Representatives earlier this year would raise money for such assistance by requiring U.S. companies to pay for the right to emit greenhouse gases.

The Obama administration has offered to reduce U.S. emissions in the range of 17% beneath 2005 levels by 2020, a level consistent with legislation passed by the House of Representatives. But that offer, which administration officials say is contingent on final action by Congress on a climate bill, is raising some hackles in Congress, particularly among Republicans. In a letter to Mr. Obama Friday, Republican House leaders, led by Rep. John Boehner of Ohio, urged the President for a "clarification that U.S. negotiators will not commit our government to an emissions reduction protocol," saying such a move "would cost jobs in the United States."

A White House spokesman didn't immediately respond to a request for comment on the Republicans' letter. Speaking to reporters' last week, however, the chairman of the Senate Foreign Relations Committee, Sen. John Kerry, (D., Mass.), said it is "entirely normal for a president of the U.S. to negotiate agreements with other countries based on what the president's policy is."

"We do that with nuclear arms control, we've done that with the global environment agreements, trade agreements, and then they bring it back to the Congress," Mr. Kerry said.

Obama administration officials and European diplomats have said this month's summit won't produce a legal agreement imposing hard caps on countries' greenhouse-gas emissions, but rather a "politically binding" agreement, with specific commitments by countries to reduce emissions and to help poor countries fight climate change. The leaders would seek to reach a formal, legal agreement at a second conference, but the timing of that remains uncertain.

Setting goals

Pledges to reduce carbon emissions by 2020:

COUNTRY	PLEDGE	MEASURE
Canada	**20%**	Overall emissions based on 2006 levels
China	**40-45%**	Carbon intensity* based on 2005 levels
EU	**20%**	Overall emissions based on 1990 levels
India	**20-25%**	Carbon intensity* based on 2005 levels
Indonesia	**26%**	Business-as-usual levels of emissions
Russia	**22-25%**	Overall emissions based on 1990 levels
Singapore	**16%**	Business-as-usual levels of emissions
U.S.	**17%**	Overall emissions based on 2005 levels

*Amount of carbon dioxide emitted per unit of GDP

Source: News reports

European Pressphoto Agency

On Friday, Nepal's top politicians held a cabinet meeting on Mount Everest to highlight the dangers of climate change ahead of international talks.

Taiwanese opposition closes gap in elections

Associated Press

TAIPEI—Taiwan's pro-independence opposition put in a strong showing in local elections, clawing its way back to respectability after two crushing defeats.

The opposition Democratic Progressive Party held on to its three county magistrate positions in Saturday's elections, and won back one other from the ruling Kuomintang, or Nationalist Party.

The DPP also closed the gap in a number of other localities, including a traditional Nationalist stronghold in suburban Taipei. The Nationalists held on to 12 of their 14 county magistracies and mayoralties, losing one to the DPP and one to a Nationalist rebel disowned by the party because of corruption convictions.

The main loser is almost certain to be President Ma Ying-jeou, who took office in May 2008 with a 70% approval rating but has since fallen back by some 30 percentage points amid the global economic recession and Taiwan's own economic weakness.

"We'll reflect on warnings sent by the elections," Mr. Ma said after the results came in.

Mr. Ma has been on the defensive since August, when Typhoon Morakot took an estimated 700 lives. Many Taiwanese say he botched the government's rescue and relief effort.

The results give a boost to DPP Chairwoman Tsai Ing-wen, who took over the party last year after it lost badly in presidential and legislative elections. Ms. Tsai, a British- and U.S.-educated jurist, used the campaign to hit hard at the Nationalists' China-friendly policies and the perceived failure of the government to address the day-to-day concerns of ordinary Taiwanese.

"The results show people are not happy with the government," said Ms. Tsai, who called the results "an important step in the DPP's comeback."

U.N. to probe data claim

By Guy Chazan

The head of a United Nations panel said it will investigate claims that scientists manipulated data about global warming, days before climate-change talks in Copenhagen.

Rajendra Pachauri, head of the Intergovernmental Panel on Climate Change, told the BBC the allegations were serious. "We certainly don't want to brush anything under the carpet," he said. The controversy arose from the release of thousands of emails, between scientists at the University of East Anglia's Climatic Research Unit and their peers around the world, which suggested attempts to suppress or manipulate data.

Climate-change skeptics have seized on the correspondence, saying they show researchers exaggerated the case for man-made global warming. In the U.S., Republicans argued the administration's climate-change efforts should now be reconsidered.

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MANAGEMENT

Microsoft mines India talent

Chairman of company's unit in the country sees shift for Indian executives; some inspiring examples

Ravi Venkatesan, chairman of Microsoft Corp.'s Microsoft Corp. (India) Pvt. Ltd. unit, recently engaged in an email discussion with Wall Street Journal New Delhi Bureau Chief Paul Beckett on topics ranging from the perception of Indian management at multinational corporations to India's technological future. Mr. Venkatesan is responsible for Microsoft's marketing, operational and business development efforts in India. Exchange has been edited for clarity.

'The best companies will rotate their highest potential talent through places like India and China as part of their development,' says Ravi Venkatesan, chairman of Microsoft's India unit.

Bloomberg News

WSJ: How have you viewed the management profile of multinational companies in India changing in the past five years and how do you expect it to change in the future, especially with regard to the mix of expatriate versus local executives?

Mr. Venkatesan: My sense is that during the past few years expats were in great demand. This was driven by the entry into India of a large number of global MNCs [multinational corporations] and also by the emergence of rapidly globalizing Indian MNCs like Infosys, Tata, Reliance or Jet Airways that needed specialized skills. A significant number of the "expats" have been people of Indian origin returning to India. All this is beginning to change. Global companies are localizing their management, recognizing both that this is a key to success in the market and that India can be a good source of talent. Cost pressures have also caused companies, both Indian and foreign, to take a close look at which skills are truly indispensable.

Over the coming years I see a few trends. I see global companies paying much more attention to talent. The best companies will rotate their highest potential talent through places like India and China and Brazil as part of their development. We will also "export" more talent from India to other parts of the world as part of the same global talent development process. Finally, I also see a greater emphasis to growing local talent from within versus hiring a greater proportion of senior/middle management from outside. The mix of expats versus local executives may or may not change, but the underlying intent and strategy will certainly shift from a short-term fix to skill shortages to a more proactive global talent development agenda.

WSJ: How do you think the perception of India's management talent has changed outside of India in the past decade? There always were some multinationals with a large Indian presence in the higher executive ranks—the old Citibank being a prime example—but what do you see now?

Mr. Venkatesan: Some companies have built a very strong talent engine—as you say, Citibank or Unilever. But clearly from isolated cases we are seeing more and more inspiring examples of people of Indian origin doing well in multiple spheres, global CEOs like [PepsiCo Inc. Chairman and Chief Executive] Indra Nooyi or [former Vodafone Group PLC Chief Executive] Arun Sarin. The success of all these leaders has certainly transformed the world's perception of Indian talent. Now our challenge is to deepen the ranks.

WSJ: What do you view as the biggest single impediment to Indian managers advancing internationally at multinational corporations? What can be done to change that?

Mr. Venkatesan: I am not aware of a huge impediment to the advancement of Indian managers in MNCs, but if I were to hazard a guess, it would be culture. The closer you get to the top of a company, the more important is cultural fit. Indian managers may tend to systematically underestimate the critical importance of culture and powerful mentors and overestimate the importance of performance, loyalty and competence.

WSJ: Overall, how do you perceive the level of technological innovation in India vis-a-vis the U.S. and compared with other countries such as China and Japan? Do you feel that India needs to do more to stimulate innovation in this industry and, if so, how?

Mr. Venkatesan: On some parameters, India does very poorly for a major economy and in many rankings we tend to be around No. 40, where the U.S. typically is very near the top, so we have a long way to go. This is a matter of considerable concern to government, to academia and industry.

On the other hand, driven by necessity, Indians are often very enterprising and innovative in every day life. Some companies have been able to harness this around focused challenges and with the right policy environment, and we see stunning examples of disruptive innovation ranging from the mobile explosion to the outsourcing phenomenon and [Tata Motors Ltd.'s] Nano [small car]. What we need to make this far more pervasive is a combination of good government policy and investment in innovation by the private sector. We could be world beaters in a couple of decades.

WSJ.com

Online today: Read more of the interview with Mr. Venkatesan at **India.WSJ.com**

Power list

The top business leaders making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

SHELDON ADELSON
CHAIRMAN, LAS VEGAS SANDS

Mr. Adelson was present for the Hong Kong initial public offering of the company's Sands China Ltd. unit. Its shares fell a disappointing 10% on their first trading day

ED BASTIAN
PRESIDENT, DELTA AIR LINES

Delta and rival AMR Corp., parent of American Airlines, last week ratcheted up their effort to woo ailing Japan Airlines Co. Speaking in Tokyo, Mr. Bastian criticized AMR's $1.1 billion investment offer as "a third-party buyout."

TONY TYLER
CHIEF EXECUTIVE, CATHAY PACIFIC AIRWAYS

The Hong Kong airline faced a public-relations glitch when a blocked toilet reportedly caused a flight from Riyadh to Hong Kong to make an unscheduled stop in Mumbai. According to local media, Mr. Tyler described the incident in a memo as "very unfortunate."

DAVID THODEY
CHIEF EXECUTIVE, TELSTRA

The Australian telecommunications company reshuffled its management ranks to create product units specifically targeted at fixed-line and mobile markets. "This structure will allow us to continue to innovate," he said in a statement.

PHILIPPE VARIN
CHIEF EXECUTIVE, PSA PEUGEOT CITROËN

The French auto maker is in talks with Mitsubishi Motors of Japan about a potential tie-up, just six months after Mr. Varin assumed the role.

Photos: Associated Press (Adelson); Bloomberg (Thodey, Tyler, Varin); Reuters (Bastian)

The Welfare State and Military Power

For our money, one of the better parts of President Obama's speech at West Point last week was his connection between a healthy economy and U.S. national security. To quote: "Our prosperity provides a foundation for our power. It pays for our military. It underwrites our diplomacy." We only wish Mr. Obama understood the link between the larger welfare state he is trying to build at home and the economic weakness that will undermine our military power.

The proof is right before his eyes in the U.S. struggle to get Europe to contribute more forces to Afghanistan. Mr. Obama has called on NATO to buttress the U.S. surge of 30,000 in Afghanistan with 5,000 or more European troops. Secretary of State Hillary Clinton was in Brussels over the weekend to round up promissory notes. But except for the usual stalwarts—Britain and Poland—the allies are having trouble meeting even this modest goal. Germany and France are reluctant to contribute anything more to defeat the Taliban.

This is by now a familiar story, and a big part of the problem is the relative lack of military spending. Among the Western Europeans, only France and the U.K. spend more than 2% of GDP on defense, supposedly the NATO-mandated minimum. Nearly everyone else is below that. Germany, the continent's largest economy, stands at 1.3%. U.S. defense spending has been above 4% of GDP since 2004, having fallen to 3% after the Cold War ended.

No amount of pleading and shaming has worked on the continentals. NATO launched the "Defense Capabilities Initiative" in 1999, only to abandon it a few years later. Various attempts to stand up European "rapid reaction" forces have floundered.

> Europe-style entitlements mean Europe-sized defenses.

Most European countries also commit more than half of what little they do spend on defense to soldier salaries and benefits. Equipment and training are shortchanged. Belgium devotes 74% to personnel; the U.S. 30.6%. Europeans lack cargo planes and helicopters to enable troops to get to, and move within, far-off conflict zones. In 2007, the U.S. deployed 14% of its troops in overseas operations, Europe 4%.

Such relative strategic weakness has made the Europeans more dependent on the American security umbrella, even as they resent it. But it also makes Europeans more disposed to avoid confrontation with adversaries like Saddam Hussein or Mahmoud Ahmadinejad. As Henry Kissinger has put it, European leaders are no longer able to ask their people to make major sacrifices.

The overlooked culprit here is the rise of the modern welfare state. Since World War II and especially from the 1960s, Europe has built elaborate domestic income-maintenance programs, with government-run health care, pensions and jobless benefits. These are hugely expensive, requiring high taxes and government spending that is a huge proportion of GDP.

One consequence has been slower growth in Europe, relative to the U.S. and China, with less tax revenue to spend on everything. Another result is that welfare spending has crowded out defense spending. The political imperative of health care and pensions always trumps defense spending, save perhaps in a hot war. Europe may never again be able to muster public support for a defense buildup of the kind the U.S. undertook to end the Cold War in the 1980s, or even the smaller surge after 9/11.

The tragic irony of this year is that Democrats are rushing the U.S. down this same primrose entitlement path. With ObamaCare certain to eat up several more percentage points of GDP as it inevitably expands, the U.S. will take a giant step toward European social priorities.

For many Democrats, this is precisely the goal. Many Europeans, such as those at the Financial Times, will also welcome America's relative decline. But we doubt the American people fully understand what such a gilded entitlement cage means for our national vitality, or for our ability to defend U.S. interests at home and abroad.

The overall trend in U.S. federal spending on defense and domestic programs in recent decades has been to spend less of the budget on defense. (Upward blips in defense outlays did occur during Vietnam, the Reagan buildup and post-9/11.) Add the stimulus, ObamaCare, a new entitlement for college and other Democratic plans, and the defense squeeze will only tighten. Higher taxes and borrowing may allow guns and butter to co-exist for a while. But over time, the welfare state will defeat the Pentagon here, as it has in Europe.

President Obama's domestic agenda may well mean that his successors lack the option to deploy 100,000 troops to Afghanistan, or to some other future trouble spot. This is the way superpowers lose their superiority.

A Voter Message for Mr. Ma

In the last 18 months, Taiwan President Ma Ying-jeou has delivered on many of his campaign promises to repair linkages with Beijing, but he has done little to reform the economy back home. On Saturday, voters started to voice their displeasure with that agenda.

In the first ballot since Mr. Ma took office last year, the ruling Kuomintang Party took 12 out of 17 districts in local elections. But more than 45% of votes cast went to the opposition Democratic Progressive Party, an increase of seven percentage points from the previous comparable elections in 2005. The DPP held onto its three magistracy positions, a powerful local post, and took one more from the KMT.

It would be unfair to interpret the KMT's lackluster performance as solely a referendum on cross-Strait ties. In many cases the deciding issues involved local concerns about infrastructure or education projects, environmental concerns and the like. Cross-Strait politics is hardly decided by local city councils, and the two voting areas most directly affected by Mr. Ma's cross-Strait policies—Kinmen and Matsu islands, just off the Chinese coast—plumped firmly for their KMT incumbents.

Several of the issues that have dragged down Mr. Ma's popularity are trade-related. Mr. Ma's proposed free-trade agreement with China is unpopular in some parts of Taiwan, particularly agricultural areas, where farmers worry that cheap imports will cost them their jobs. Likewise, his decision to lift a ban on "bone-in" U.S. beef imports triggered street protests because of safety concerns.

Mr. Ma responded to Saturday's election by promising to listen to the public. But he can also do a better job of reaching out to them: Rather than trying to cater to protectionist fears, the president might start by making a stronger case for free trade with countries other than just China. He could also take a knife to Taiwan's high corporate tax rates and regulatory red tape.

Like U.S. President Barack Obama, Mr. Ma was elected on the virtues of being different from his predecessor, the adamantly pro-independence Chen Shui-bian. Since taking office Mr. Ma has seen a sharp drop in his popularity ratings however, and his governing abilities have been severely tested. Taiwan's voters still want a better relationship with the mainland, but not at the expense of their domestic concerns.

A Jobs Sigh of Relief

The November jobs report was greeted Friday with smiles and sighs of relief, which speaks volumes about how rotten the job market has been for a long time. Only 11,000 lost jobs! Praise heaven.

The report is hopeful if not yet happy news, in that it shows employment finally catching up with the economic recovery that has been building since the summer. Economic expansions always lead to some job creation, especially when the downturn and layoffs have been as steep as what the U.S. has endured in the last year.

> A better stimulus plan: Have Congress adjourn until 2011.

The surprise so far has been how long it has taken the job market to come around—surprising especially to a White House that predicted a jobless rate peak of 8% if the $787 billion spending stimulus passed. President Obama called Friday's report the best since 2007, which is true but is also like saying that this is the most tasteful season so far of "Keeping Up with the Kardashians."

The report's details suggest that job growth will finally arrive in future months. The average work week climbed to 33.2 hours from 33.0, which means more workers are being hired back to full-time status. The jobless rate—which is determined by the household survey, rather than the business establishment survey—fell to 10%, from 10.2%. And the household survey, which measures more small businesses and home entrepreneurs, showed a gain of 227,000 jobs. In the early stages of the 2003 recovery, this measure proved to be a better indicator of future job-market strength than did the lagging establishment report.

On the other hand, most of November's job gains were in services or government. If the stimulus spending has had any effect, it has been to preserve government jobs. Private hiring remains weak. Construction, manufacturing and business professionals are still shedding jobs. At more than 28 weeks, the average duration of unemployment is now longer than it has ever been, and overall employment is still down some 7.2 million from its 2007 peak.

The news of a better job market couldn't have come at a better time politically given that Congress seems ready to waste more money on more government job creation. The same folks who planned the last stimulus now want to spend a few hundred billion on public works jobs, more aid to states, and another round job of jobless benefits. In some states, workers can now get paid for 18 months for not working. This will give many of them an incentive to postpone a job search even as their hiring prospects improve.

Meanwhile, the White House is thinking about paying home owners to weatherize their homes. Cash for caulkers, we suppose. Now, that'll put millions back to work.

The real message of the November report is that the job market is healing on its own, if Washington will simply let it happen. If Democrats want faster job creation by next November, they'll do nothing at all. Stop imposing new taxes on estates, payrolls, insurance, device makers, drug makers, small business, you name it. Start over on health care. Adjourn for the year, spend December with the family, come back in 2011. And watch Congress's approval rating rise.

OPINION

No Way, No How, to the Public Option

[The Journal Interview With Joe Lieberman].

BY KIM STRASSEL

"About two months ago my wife and I were out with another couple, and they said 'So, how's it going?'—and I knew what they meant. I said, 'I'm doing my own independent thing, but for the first time in five years, I feel out of the crossfire . . .' And my wife said, 'Knowing you, before long you'll mess up.'" Joe Lieberman laughs a big, hearty laugh, then adds: "And then came the public option!"

The senator from Connecticut doesn't look sorry. Sitting in his office on Wednesday, he looks like he's having the time of his life. Ever since his bruising 2006 reelection, in which he quit the Democratic Party to run as an independent, Mr. Lieberman has been a man unleashed. He's caucused with Democrats yet campaigned for John McCain. He's enting through at "greater than 50-50" but bluntly warns: "It won't be what Senator Reid put in."

"They are going to have to drop some things . . . the obvious being the public option"—a controversial, government-run insurance program that Mr. Lieberman adamantly opposes on philosophical and economic grounds. Unlike some Democrats who have criticized it but remained open to negotiation, he says he is not bluffing.

"I'm being more stubborn and certain about this . . . I think it's such a significant step for the country to create another entitlement program and to have the government going into a business, I feel like I've got to say no."

When Mr. Lieberman says no public option, he means no public option—not an "opt-in" or an "opt out" or a "trigger" (a public option only comes into effect if private insurers fail to spread enough coverage). "We are at the point now where this has become the classic legislative process of trying to get a fig leaf that everyone can hide behind. And I don't want to do that."

Why is he adamant? Mr. Lieberman says that while he is not "a conspiratorial person," he believes the public option is intended as a way for the government to take over health care. "I've been working for health-care reform in different ways since I arrived here," he says. "It was always about how do we make the system more efficient and less costly, and how do we expand coverage to people who can't afford it, and how do we adopt some consumer protections from the insurance companies . . . So where did this public option come from?" It was barely a blip, he says, in last year's presidential campaign.

"I started to ask some of my colleagues in the Democratic caucus, privately, and two of them said "some in our caucus, and some outside in interest groups, after the president won such a great victory and there were more Democrats in the Senate and the House, said this is the moment to go for single payer.'" So, I joke, the senator is, in fact, as big a "conspiracy theorist" as me. He laughingly rejoins: "But I have evidence!"

Mr. Lieberman notes that the public option serves no other purpose: "It doesn't help one poor person get insurance who doesn't have it now. It doesn't compel one insurance company to provide insurance to somebody who has an illness. And . . . it doesn't do anything to reduce the cost of insurance."

Mr. Lieberman dismisses Democratic arguments that it is necessary to keep insurers honest. "Sometimes the private sector does things that are wrong, and when they do, you regulate—sometimes you litigate," he says. "But never in the history of America . . . have we tried to keep one industry honest by having government go into that business to compete with the industry."

He is also "really fixed on the national debt." Several provisions in the Reid bill, he says, will result in "the government accepting unlimited liability for debts incurred by this government-run public option." And those debts will come. "If we create this, it's going to run deficits. Not for evil reasons. Congress just likes to say 'yes' when people ask for additional services to be covered."

There's also the question of priorities; "[W]e have problems in the health-care system that need to be fixed, but we have much more urgent problems in our economy. One, getting out of the recession. Two, doing something about the awful debt."

He doesn't believe the bill is deficit-neutral and has "concerns as to whether we or succeeding Congresses will really adopt" the proposed cuts to Medicare. While he's not opposed to taxes, he's opposed to immediate ones. He wants to "push off" the $10 billion "fee" on industry players. "It's not overwhelming, but $10 billion is $10 billion. My concern is that if you apply the tax right away, it is probably going to result in higher premiums for people who have insurance, and that's not a good thing to do in a recession."

Zina Saunders

Mr. Lieberman says the Democrats' "political problems" come from "supporting two goals which don't go together"—increasing coverage and reducing health-care costs. The bill needs more of the latter. He'll push to finance it with a cap on the tax exclusion Americans get through their employers for health plans because this exclusion, he says, has the "most effect on creating incentives not to overuse the insurance system." He will also work with Republicans to enact malpractice reform.

* * *

Does he risk overplaying his hand? Maine Republican Olympia Snowe has suggested she'd support a "trigger" for a public option, and if Democrats win her over, they don't need Mr. Lieberman. He responds that he's not alone. "[Arkansas] Sen. [Blanche] Lincoln, when she spoke explaining why she was voting [to go to debate], was very absolute about her opposition to the public option. I think there's at least Blanche and me, and maybe one or two others."

Mr. Reid's problem is that liberals are threatening to bolt if the bill doesn't include a public option. Mr. Lieberman is unsympathetic. "Some people say to me, 'You would stop health-care reform because of the public option? I mean, you support a lot of this stuff!' So I say, I'll ask it another way: 'You mean the people who are supporting the public option, which is new to this debate, would stop all these reforms because they are stubborn?'"

* * *

When I last interviewed Mr. Lieberman three years ago, he was helping an embattled Republican president hold on to Iraq. Now he's appeared on TV to help a Democratic president keep his party on board with a troop surge in Afghanistan. He offers warm words about Mr. Obama's Tuesday speech announcing an additional 30,000 troops, and while some feel the president could have been stronger, he gives Mr. Obama credit for his political courage.

"He made a decision that is at odds with the majority of the members of the Democratic Party—not just here in Congress, but as reflected in every opinion poll. So you've got to say that he put what he thought were the national security interest ahead of partisan political interests. There was no easy way out here—but there were *easier* ways, politically."

Is 30,000 troops enough? Mr. Lieberman says he was reassured by the comments of Gen. Stanley McChrystal. And words "privately" with Gen. David Petraeus that this number was sufficient "to turn the tide."

Like many, he was concerned by the 18-month deadline Mr. Obama mentioned. But after probing Defense Secretary Bob Gates in a Senate hearing last week, he's now more confident. "[Gates] compared it to the so-called 'overwatch,' which is really what we did in Iraq. As we felt the Iraqis were prepared to take over in certain areas, we pulled back but we didn't pull out." Mr. Lieberman believes this "pull back" is what begins in July 2011, and also felt he got assurances that it would start only in "uncontested" areas—and that there is no deadline for when all 30,000 troops must leave.

Mr. Lieberman notes that the president's speech needs follow up in order to rally the country, but adds, "The ultimate way the public supports a war is when it succeeds." He remembers the years of state residents protesting Iraq outside his office. "Honestly, it never even comes up now. Never. Because it succeeded."

On the administration's broader war on terror, his appraisal is more "mixed." The Obama team has "come around" to the importance of the Patriot Act, which must soon be reauthorized, and "[o]n the intelligence gathering, court-authorized surveillance, they've been strong." Closing Guantanamo, however, "makes no sense"; he says "[w]e're going to have to either build or pay for a facility here that's not going to be any better—it's probably going to be worse."

He's totally against the administration's decision to try 9/11 terrorists in federal court. He notes that the U.S. has used military tribunals since the Revolutionary War, and moreover, the U.S. Congress passed tribunal legislation giving detainees due process that goes "way beyond even the Geneva Convention."

So why did the administration do it? Mr. Lieberman drops the "ideology" word. "Part of is to show the world how well we treat the people who did the worst deeds to us," he says. But he adds, "it doesn't really change anybody's attitude toward us—in a way that changes their behavior toward us."

He was "skeptical" of Mr. Obama's decision to engage Iran but figured it was worth a try. "It was a test of Iran and, of course, they have profoundly failed the test. The only positive to come out of it . . . is that the world now has no reason to blame us for the state of relations."

* * *

Mr. Lieberman is now working on legislation to allow Mr. Obama to impose tougher economic sanctions. Just as important, he says, the U.S. must do more to support the Iranian opposition. "The only thing this fanatical regime cares about more than building nuclear weapons is its own survival" and until that's in doubt, they won't cooperate.

As for Mr. Lieberman's future, he seems unlikely to become less independent any time soon. He ends with an amusing conversation he recently had with his son: "One person will say to him, 'Your dad, I thought he was a good guy. How could he stop health reform?!' Then another person says "I can't believe your father is all that stands between America and our economic system as we know it!'" From the mischievous look on Sen. Lieberman's face, you can tell he loves that no one can fit him in a box.

Ms. Strassel writes the Journal's Potomac Watch column.

The Connecticut senator, free of partisan loyalties, has a pivotal role in the health-care debate.

thusiastically supporting President Barack Obama's Afghanistan surge and just as spiritedly criticizing his decision to try 9/11 terrorists in U.S. courts. He's joined Democrats to reform health care, even as he's promised to torpedo their government-run insurance option.

And he can't be ignored: He's crucial to mustering the 60 votes necessary to overcome Republican filibusters. Mr. Lieberman says he was "surprised" to have his influence, but he isn't afraid to use it. "I always felt I was an independent-minded person . . . but there is no question that having been re-elected as an 'independent' does give me a feeling of liberation . . . I don't feel like I have to view everything through the prism of partisanship." He grins and adds: "Through anything."

Back in October, Senate Majority Leader Harry Reid snipped that Mr. Lieberman was "the least of" his health care "problems." That's no longer true, if it ever was. He has the power to strip a public option out of the Senate health-care bill, and even demand a more moderate rewrite. Mr. Lieberman himself puts the odds of a bill get-

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OPINION

Near-Zero Rates Are Hurting the U.S. Economy

By David Malpass

The Federal Reserve implemented an emergency monetary policy after the 2008 Lehman bankruptcy to salvage the world financial system. In his testimony last week before the Senate Banking Committee, Fed Chairman Ben Bernanke said, "We must be prepared to withdraw the extraordinary policy support in a smooth and timely way as markets and the economy recover."

This leaves all-out emergency monetary stimulus in place, but with a different, much weaker justification. With the system stabilized, the Fed hopes that artificially low interest rates and its purchases of mortgage-backed securities will spur growth. Instead they are pushing dollars abroad and wasting precious growth capital in asset and commodity bubbles.

Since the show of global cooperation at the Nov. 6 G-20 meeting, the rest of the world has challenged the Fed's emergency policy. Asia warned President Barack Obama on his recent trip that the zero-percent fed-funds rate was flooding Asia with excess dollars, causing asset bubbles there and undercutting global growth. Europe quickly joined Asia's criticism. On Nov. 20, German Finance Minister Wolfgang Schäuble said that the U.S. policy threatened "enormous turbulence."

Nevertheless, more than a year after the heart of the panic, the Fed is still promising near-zero interest rates for an extended period and buying over $3 billion per day of expensive mortgage securities as part of a $1.25 trillion purchase plan. Capital is being rationed not on price but on availability and connections. The government gets the most, foreigners second, Wall Street and big companies third, with not much left over.

The irony of the zero-rate policy, coupled with Washington's preference for a weak dollar, is a glut of American capital in Asia (as corporations and investors shun the weakening U.S. currency) and a shortage at home. For gold and oil, the low-rate policy works, weakening the dollar so commodity prices go up and providing traders with ample funds to buy into the expanding bubble. Those markets are almost daring the Fed to try to break out of its zero-rate box.

But for small businesses and new workers, capital rationing is devastating, spelling business failures and painful layoffs. Thousands of start-ups won't launch due to credit shortages, in part because the government and corporations took more credit than they needed (because it was so cheap).

Already countries with higher interest rates, Australia for one, are viewed as less risky because they have room to cut rates if there's another emergency. This wins them capital and jobs that might otherwise be ours.

According to International Monetary Fund data, U.S. GDP has fallen to 24% of world GDP from 32% in 2001. And as U.S. capital escapes the weak dollar and high tax rates, the U.S. share of world equity market capitalization has fallen to 30% from 45%. This leaves the U.S. alone with Japan at the bottom of the monetary

Martin Kozlowski

heap, with rate expectations so low they repel investment.

Yet the Fed's not nearly as trapped as it seems. Much of its current stimulus is being diverted to commodities and foreign economies—hence Asia's complaint about bubbles. Under emergency stimulus, corporations are borrowing dollars hand-over-fist, pleasing Wall Street while using the proceeds to expand their foreign businesses. If that stimulus could be retained in the U.S., the Fed could stand down gradually from the emergency yet still assure appropriate policy accommodation.

The simple goal is to convince the capital now funding gold mines and foreign asset bubbles to instead fund small businesses in the U.S. and the guaranteed mortgages the Fed's been buying. This means stopping the dollar's collapse, since it is fueling the outflow. Since U.S. inflation is relatively low, even a Fed nod toward normalcy on monetary policy should cause a dramatic improvement in the dollar and the magnitude of capital flows. In a more market-oriented allocation of global capital, the U.S. will be a big winner, especially for jobs and small businesses.

If the Fed wants to speed the capital reflow, it could mention the importance of the dollar in its Dec. 16 committee statement on interest-rate policy and inflation risks. In his Nov. 16 address to the Economic Club of New York, Mr. Bernanke said policies should "help ensure that the dollar is strong and a source of global financial stability." Putting that in the Fed's policy statement—with none of the normal winks to those who favor devaluation—would cause capital to flood back into the U.S., loosening small-business credit and adding jobs even when the Fed eventually contemplates rate hikes.

If the Fed announces that an end is in sight to its all-out emergency policies, two other benefits may accrue. China should be more willing to allow yuan appreciation if it thinks there's a net under the dollar. With no net, China fears that yuan appreciation would accelerate dollar flight, driving commodities even higher. And the Fed should be able to maintain its independence, which is at risk from congressional audits as long as the deeply unsettling emergency policies persist.

* * *

Wall Street will threaten a tantrum if the Fed even thinks about damping the air-raid sirens. The Street utterly loves the Fed's largess, earning massive profits from trading unstable currencies, the carry trade (borrow short-term dollars near zero, buy longer-term assets abroad), and the high-margin process of transferring America's capital abroad.

The hitch is that there isn't much trickle-down to normal jobs and small businesses from the sophisticated, zero-rate arbitrage that is propelling asset prices ever higher. It would be better to stand down from emergency stimulus and instead help markets direct the capital that is now going into bubbles into the economy and jobs.

Mr. Malpass is president of Encima Global LLC.

GM's Directors Start Acting . . . Like Directors

By Steven Rattner And Harry J. Wilson

Tuesday's announcement that Fritz Henderson is stepping down as chief executive of General Motors vividly demonstrates the central role that the company's board of directors is playing as the nation's largest auto maker continues its progress toward full private control.

A key part of President Obama's actions to remake this iconic company was the decision that after GM's restructuring, oversight of the company should shift from his administration into the hands of a world-class, highly engaged board of directors, chosen purely on the basis of their qualifications.

Recruiting a chairman was the Obama administration's first step in assembling the board. Fortunately, Ed Whitacre, who had delivered superior results for 18 years as a no-nonsense, demanding but fair chairman and CEO at AT&T, was willing to serve. For Mr. Whitacre and the other nominees—many of whom routinely turn down board requests—joining GM's board was a form of public service.

Serve the public they have—questioning, probing, pushing and deciding, all with the goal of making GM into a world-class performer. To be clear, the departure of Mr. Henderson does not suggest that GM's performance has fallen short of its short-term goals. While it is still early, GM's mid-November presentation to lenders showed that the auto maker is exceeding both its own projections and its performance before the onset of financial distress. Market share for the "core brands" GM is keeping—Chevrolet, Buick, GMC and Cadillac—was higher in each of the last three months than at any time in 2009 and even higher than the average for 2008.

A strong board means the company can make a comeback—and repay taxpayers.

The road ahead is long, but the company is on track in reducing dealers, nameplates and factories. Importantly, average retail incentives—the sales-boosting "crack cocaine" to which GM had become addicted in recent years—were down over 25% from the second half of 2008. The company also has made commercial and critical successes of each of its recent product launches: the Buick LaCrosse, Cadillac SRX, Chevy Equinox and Chevy Camaro.

This progress buoyed recent financial results. Third-quarter earnings before interest, taxes, depreciation and amortization was a $1.3 billion profit. This better-than-expected performance stands in sharp contrast to last spring's dire warnings.

The prospects for a substantial recovery by the Treasury have improved. Based on current trading levels of "old" GM bonds, which are entitled to equity in "new" GM, the market value of the Treasury's debt and equity position is approximately $30 billion, equal to what it invested as part of the June 1 restructuring plan. Furthermore, auto valuations remain near cyclical lows with no near-term signs of a recovery, so the combination of improved valuations and cash generation by GM as the industry revives augurs well for taxpayers. In the end, they may recover not only the $30 billion invested in June, but some or all of the $19.4 billion in bridge financing that the Bush and Obama administrations had earlier provided GM.

So why have Mr. Henderson and GM parted ways? Despite these positive early results, to realize its potential, the company needs a radical overhaul of the slow-moving, bureaucratic and insular culture that has typified it for decades. Such change will take years and will require substantial new blood. GM's management team includes many talented individuals, but virtually all the senior executives have spent their careers at GM.

The Obama administration had good reasons last March for asking Mr. Henderson to serve as CEO. Given the pending restructuring and the uncertainties associated with government involvement (including compensation restrictions), finding a CEO from outside would have taken many months. Meanwhile, GM would have been adrift during a critical period and could easily have imploded, wiping out the taxpayers' investment.

For his part, Mr. Henderson had encyclopedic knowledge of the business, was well-respected throughout GM, and had shown himself to be more dynamic and change-oriented than his predecessor. He should be commended for his performance during one of the most difficult and rapid corporate restructurings in American history.

Mr. Henderson made significant progress during his tenure, but it is understandable that the board wanted still faster change. So the search begins for an outsider, as Ford found in Alan Mullaly. The administration's choice of board members deliberately included several executives, beginning with Mr. Whitacre, who could step in to run GM on an interim basis if necessary—a safety net that is now proving useful.

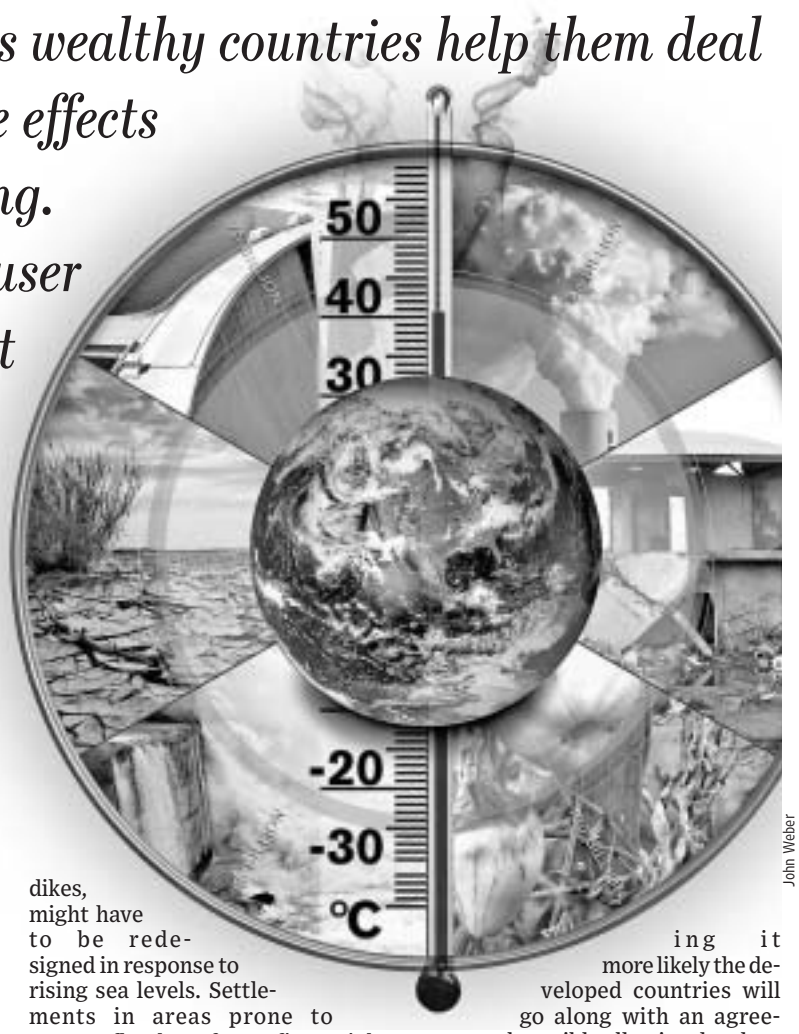
From these tough management actions to its decision to abandon the Opel sale, GM's new board has performed spectacularly well—if the company had had such a strong and engaged board in recent years, it might well have avoided bankruptcy, as Ford did.

Providing the company can offer a fair and competitive compensation package, a number of highly attractive candidates will likely come forward to lead GM. The company's core products are stronger than they have been in years, it has a clean, substantially deleveraged balance sheet for the first time in more than a decade, and it now has the lowest cost structure in the U.S. automotive business. Once a strong, permanent CEO arrives, GM will have all the tools it needs to again be an American success story.

Mr. Rattner was counselor to the secretary of the Treasury and lead auto adviser. Mr. Wilson was senior adviser for autos.

If it warms up, who's going to pay?

Poorer countries insist there will be no environmental agreement unless wealthy countries help them deal with the possible effects of global warming. Samuel Fankhauser offers a blueprint for cooperation.



John Weber

As the most important environmental conference in more than a decade gets under way in Copenhagen this week, much of the talk, as usual, is on reducing greenhouse-gas emissions.

But there's another issue that needs to be addressed—one that is crucial for reaching an overall agreement, but doesn't get nearly as much attention.

That issue is adaptation.

Without a deal on how to cope with the possible effects of climate change, there will be no agreement in Copenhagen—or at any future conference, for that matter. That's because developing countries, which likely will suffer some of the worst impact of any significant warming, have made it clear that they will not agree to an emissions-reduction package without substantial help in coping with the increased flooding, drought and disease that many scientists say will result from a warming planet.

Reaching such a deal won't be easy. But the good news is that it's a lot more doable than it was just a few years ago, when just talking about adaptation was thought to mean giving up on reducing emissions. By contrast, a growing number of people now believe that some adaptation is unavoidable.

How much adaptation? That's hard to say. But many scientists doubt we will halt global warming at less than 2 degrees Celsius (3.6 degress Fahrenheit). That may not sound like much. But just look around to see how fine-tuned our economies are to the current climate. A change of 2 degrees will potentially affect consumer behavior (where we live, what we wear, where we go on vacation), production decisions (how we produce our food) and the design of our buildings and infrastructure.

More specifically, if temperatures were to rise by 2 degrees or more, farmers might have to change crops, planting dates, fertilizer and pesticide regimes. Water companies might have to invest in new reservoirs, and maybe build desalination plants to deal with droughts. Hydroelectric-power stations might have to be adapted to accommodate different rainfall patterns. Electricity grids might have to be strengthened to deal with demand surges during heat waves. Coastal infrastructure, including seaports, power stations, roads, tourist beaches, levees and dikes, might have to be redesigned in response to rising sea levels. Settlements in areas prone to storms, floods or forest fires might have to be fortified or moved. Health services might have to prepare for heat waves and (in developing countries) for additional cases of malaria and other vector-borne diseases. And that's just for starters.

I'm not predicting all these things will definitely happen. But if just some of these changes are forced upon us, we're talking about major upheavals—and the need for major resources, especially in poorer countries.

So, how can developed countries and emerging nations reach an agreement on adaptation? I see the need to come together on four key contentious issues.

Framing the Issue

Most developing countries see support for adaptation measures as, in essence, compensation for the damage caused by the emissions of developed countries. You broke it, you fix it. But such a concept is a nonstarter as far as the developed world is concerned. Compensation implies liability, and if the developed world is "responsible" for the damage caused by global warming, then payments to compensate for that damage are likely to be more open-ended, outside their control and potentially subject to litigation. In addition, developed countries say, the relative contributions to global warming are evolving, and developing nations are increasingly doing their part in worsening the problem.

It's a pretty fundamental difference, but one that I believe is surmountable. Rather than see adaptation support as compensation for damages, I suggest it is better to consider it as a way to show global solidarity, to fairly deal with a shared challenge. The strong should help out the weak.

This isn't just a matter of semantics. "Solidarity" takes the question of responsibility off the table, making it more likely the developed countries will go along with an agreement and possibly allowing developing countries to get funds more easily. Such an approach may seem like a nuanced difference, but it has the potential to break down some psychological barriers on both sides, and allow all the parties to move forward.

How Much Money?

This issue is the most obvious, and in many ways the most vexing in the long term: How much money do we need to set aside?

We aren't talking a pittance here. An agreement could mean financial transfers totaling tens of billions of dollars a year, so the debate is going to be a fierce one. Clearly, the developing countries are going to be looking for as much as possible, while the industrial countries are going to try to keep the amount of money they have to contribute at what they consider will be a reasonable, and presumably lower, level.

The problem right now is that nobody knows for sure what adaptation will cost. Some rough estimates exist: The World Bank figures that adaptation costs might total $75 billion to $100 billion a year by 2030; the United Nations Framework Convention on Climate commissioned a study that came to roughly the same conclusion. But both organizations admit their figures are speculative. And the reality is that adding up the countless measures people may need to take to deal with climate change is pretty much impossible.

So let's not even try at this point. Negotiators in Copenhagen do not need to agree on a final figure. Instead, they should agree on an initial target amount, based on the World Bank and the U.N. figures, and set up a review process to adjust payments as we find out more about our adaptation needs.

What's more, payments can be phased to start with priority needs, such as steps to deal with current climate events—things like storm-warning systems and crop-insurance programs. Many of these initial steps will be relatively cheap.

In a world where so much is uncertain and our understanding is bound to improve, it would be irrational to lock in our spending in advance. It is like the U.S. Federal Reserve freezing interest rates for several years ahead; we know there will be developments that require fine-tuning.

Who Makes the Decisions?

The third place where we need agreement in Copenhagen is how adaptation funding should be governed—that is, who makes spending decisions, and how do they decide on spending priorities?

Again, the disagreement is pretty basic: Everybody wants to call the shots. Developed countries believe the traditional institutions, such as the World Bank and the Global Environment Facility, should play the same roles with adaptation funds as they do with development aid—evaluating projects, handing out funds, monitoring their success or failure. After all, developed countries say, they have a responsibility to their taxpayers to make sure adaptation money is well spent. He who pays the piper calls the tune.

But developing nations fear these traditional institutions, dominated by developed nations, will be too slow and too stingy. And they argue that adaptation funding is a different animal than development aid. They object to being forced once again into the role of the weak—and presumably grateful—recipients of aid from donor countries, when they believe it was these donor countries that caused the problem in the first place.

Countries reached a breakthrough on the question two years ago in Bali, when they set up a new Adaptation Fund governed by a board made up of representatives from both developed and developing countries.

But the truth is that such power sharing so far exists in theory only. The Adaptation Fund consists of little more than a governing board at this point, and is responsible for a small fraction of the money set aside to deal with the impact of climate change. Most funds targeting such assistance are still doled out by the traditional institutions.

In the future, developing countries insist, the Adaptation Fund should wield control over more of the funds directed at adaptation spending. Rather than relying on institutions such as the World Bank to identify, appraise, implement and monitor adaptation projects, they say, such oversight should be the province of individual countries.

Complicating matters is how impossible it is to tell whether any particular need is the result of climate change or simply normal climate variability. A drought is a drought, no matter what the underlying cause. And yet for developed nations, the cause determines whether the money should be funded separately from baseline development aid, or as part of it.

One possible solution is to let developing countries write their own development and adaptation plans in consultation with aid agencies. These plans already exist to coordinate development aid, but from now on they should also cover adaptation.

This will only work for countries that have the governance necessary to control such spending. Where that is not the case adaptation spending would have to be overseen by the more traditional aid institutions.

Source of Financing

The fourth issue that needs to be settled in Copenhagen is the actual source of financing.

This has to be one of the worst moment in decades to raise funding for international causes. After bank bailouts and multibillion-dollar economic-stimulus packages, most industrialized countries are facing massive government deficits. They are preparing for painful spending cuts over the medium term. It is an unfortunate moment, clearly, to talk about new funding commitments.

Still, even if times were less dire, the funding discussion would be fraught. The easiest way by far would be for developed countries to simply increase their aid budgets. But developing countries balk at that for two reasons.

First, developed countries have a history of generous pledges on which they don't deliver. Second, even if they did pay up, there is a strong suspicion that part of the payments would simply be relabeled development aid. That is, the money would not be an addition to what is already pledged.

The search is therefore on for new, independent sources of money. This is easier said than done. New sources of finance usually mean giving revenue-raising powers to international organizations such as the United Nations, or curtailing the fiscal sovereignty of national treasuries, or both. Finance ministers will veto any such proposal as a matter of principle.

So, the challenge in Copenhagen is to find a source of money that maintains the sovereignty of national treasuries but gives confidence to developing countries that the money will be forthcoming. There is no silver bullet yet, but it is likely that several sources of finance will have to be tapped. They will have different features, appealing to the different constituencies to different degrees. But revenues will almost certainly have to be shared with other climate-change objectives, such as the development and dissemination of new technologies.

Many options have been put forward. One of the most intriguing suggestions is the sale of additional emission rights to countries unable to meet their emission-reduction targets. Another proposal is a tax on international aviation and shipping, two important sources of carbon emissions that are currently outside the Kyoto Protocol, the international treaty to fight global warming.

The main source of support for the Adaptation Fund at the moment is a levy on emission-reduction projects under the international carbon-trading program set up by the Kyoto Protocol. The levy gives 2% of the emission-reduction credits generated by, say, a new wind farm or a reforestation project to the Adaptation Fund, which then can sell the credits on the secondary market. Although it goes against economic logic to tax emission reductions, rather than emissions themselves, the levy could be extended, particularly if Copenhagen leads to the expected reform of the global carbon market.

The outcome of the Copenhagen summit is still in the balance. We can expect that there will be some sort of agreement, but how substantial it will be is very much up in the air. A deal on adaptation would go a long way toward securing a successful Copenhagen outcome.

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Courting change

Environmental groups in China now have the ability to sue polluters. But will they?

By Jonathan Shieber

China's courts have opened a new front in the country's long-running battle against polluters.

In late July, two of the country's provincial environmental courts agreed to proceed with cases brought by a Beijing-based group known as the All-China Environmental Federation, or ACEF. Previously, only individual citizens could sue polluters.

It's a potentially big step for the environmental movement in China. Very few citizens actually bring suits against polluters, because of the expense, difficulty and potential for retaliation by local authorities or companies. "Often, in a small or rural county, the locals won't know anything about law, and they won't necessarily be able or willing to use the courts for the case," says Alex Wang, the Beijing-based director of the Natural Resources Defense Council's China Environmental Law Project.

But advocacy groups like the ACEF don't face those pressures—and now that the groups are allowed to sue, they may start to take a larger role on the front lines of environmental defense. Advocates hope that the increased threat of lawsuits might put more teeth into regulations targeting companies that foul the country's air, land and water.

Whether those hopes pan out is another matter. Some legal observers aren't sure that change will come fast enough to keep pace with the torrid rate of China's industrial growth. "My sense is that things are getting better in China. They're just getting better at a fairly slow pace," says Charles R. McElwee, the Shanghai-based counsel of law firm Squire, Sanders & Dempsey LLP. "And we're unlikely to see any dramatic changes. Things will continue to get better, but at the same pace."

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Make Haste

China began offering legal remedies against polluters two years ago, when it established environmental courts in the provinces of Guizhou, Jiangsu, Yunnan and Shandong. The main motivation: pollution in lakes and reservoirs, according to a 2008 report from the Woodrow Wilson Center in Washington, D.C. The two courts in Jiangsu are near Lake Tai, considered one of the three most polluted lakes in China; in 2007, it saw a toxic-algae bloom that made headlines around the world.

DANGER *A fisherman fetches water affected by toxic algae in China's Lake Tai. Fouling of lakes and rivers has spurred legal remedies against polluters.*

The courts were intended as a vital bulwark against polluters—since government enforcement of laws on the books remains difficult. Unlike the U.S. Environmental Protection Agency, China's Ministry of Environmental Protection doesn't have enough authority or resources to intervene in local enforcement actions. So, the ministry depends on local environmental bureaus to enforce legislation—and those bureaus are beholden to local governments. In many instances, local bureaus are loath to shut down or penalize the manufacturers and industrial plants that are often a large source of revenue for a region.

Thus, lawsuits are often the only way to challenge polluters. But so far, the environmental courts have seen mixed results. They've been aggressive about accepting cases, but citizens haven't been aggressive about bringing cases. And when they do, the cases often don't tackle big environmental problems. For instance, the courts have yet to take

Please turn to page 16

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Protecting the Amazon benefits the whole world. For that reason, the Brazilian government created the Amazon Fund, an initiative managed by the Brazilian Development Bank (BNDES) to raise funds, help reduce CO_2 emissions and preserve the forest. This proposal is so important that it is to be presented at COP 15 - United Nations Climate Change Conference. The Amazon Fund: Brazil protects it. The world supports it. Everybody wins.
For further information, visit: www.amazonfund.gov.br.
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Ministry of the Environment
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Who Wants What In Copenhagen

This week, officials from 192 countries will meet in Copenhagen to tackle global climate change, seeking a successor to the 1997 Kyoto Protocol. Even if they can't negotiate a binding agreement, many countries hope at least to work out commitments to reduce their greenhouse-gas emissions and provide assistance to poorer countries likely to be hardest hit by the effects of global warming.

Each country, of course, has its own particular priorites and concerns, which is why an agreement is so difficult to reach. Here's a look at some of their agendas for Copenhagen.

UNITED STATES

The U.S.'s failure to pass climate-change legislation has meant a delay in a deal at Copenhagen. But pending bills in Congress and the Obama administration's authority to regulate emissions give the country credibility—and negotiating leverage toward an eventual agreement. The U.S. may still pledge to cut emissions about 17% by 2020, while offering funding of low-carbon initiatives for poorer countries to draw them to an agreement. The U.S. also wants other countries, mainly China and India, to commit on when their greenhouse-gas emissions will peak, and will demand stringent standards for reporting, monitoring and verification of emissions and reductions.

ECUADOR

Ecuador, an oil producer, will come to Copenhagen with a novel idea: get rich countries to pay $3.5 billion to keep 850 million barrels of its crude in the ground. The oil is located in a natural reserve of the Amazonian forest whose protection will be a cornerstone of the talks. A delegation of the Organization of Petroleum Exporting Countries (Ecuador gets the group's presidency next year) recently visited to look at the project. The government, which has renamed its oil ministry the "ministry of non-renewable resources," has pitched the idea to some European governments.

Compiled by Ian Talley, Jing Yang, Paul Beckett, Alexander Kolyandr, Jeff Fick, Alessandro Torello, Marek Strzelecki, Benoit Faucon and Max Lin. They can be reached at reports@wsj.com.

EUROPEAN UNION

The 27-member European Union aims to speak with one voice in Copenhagen. Its goal: taking action that would limit global warming to two degrees Celsius (3.6 degrees Fahrenheit). The EU intends to cut CO2 emissions 20% by 2020 from 1990 levels and is willing to raise that target to 30% if other countries commit to do their part. It is also ready to help developing countries financially, but it hasn't committed to specific figures. Some Western European countries advocate generosity, but some newer members from Eastern Europe are much less willing to pay.

POLAND

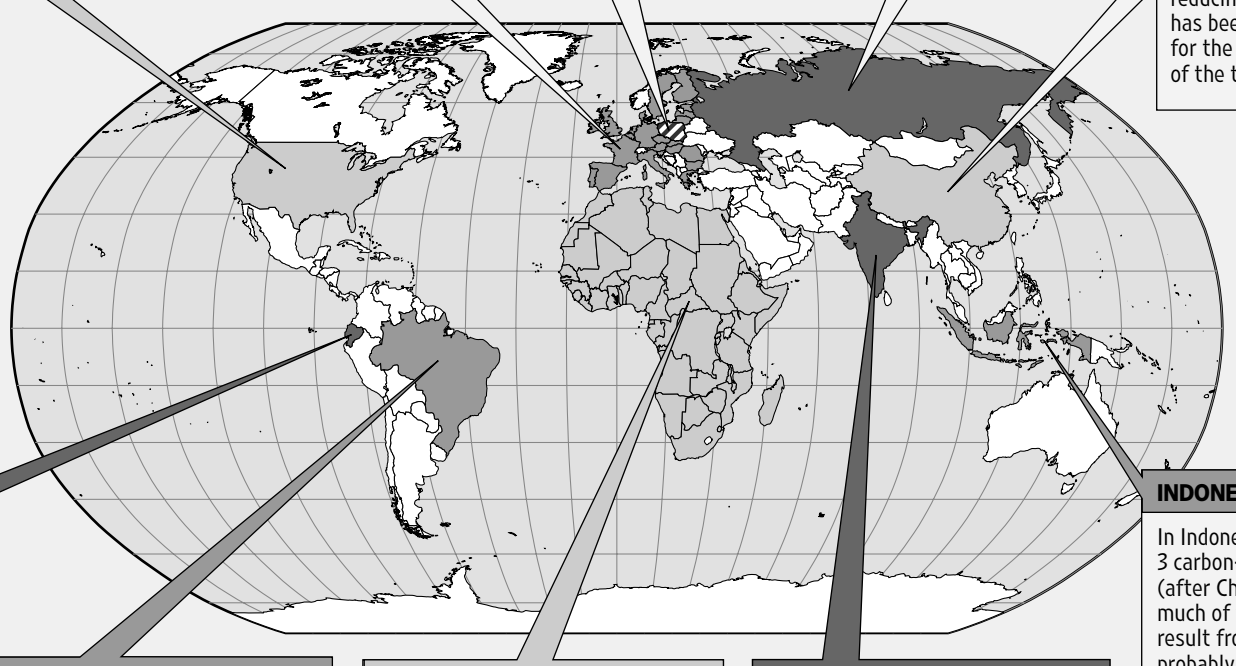
Poland and other Eastern European nations want a deal that isn't too economically burdensome. The issue is how financial support for developing countries should be shared by EU members. Wealthy members propose making contributions proportional to a country's emissions. But because Eastern members' energy sectors rely heavily on coal, they would pay disproportionately more than if shares were based on their economic output. Poland also wants to be able to continue selling certain carbon credits after the Kyoto protocol expires in 2012. Because Poland has reduced CO2 emissions by 30% over the past 20 years, it can sell credits worth billions of euros.

RUSSIA

Climate change isn't high on Russia's agenda; its attention is on the massive investments it needs to make its aging Soviet-era industrial infrastructure more energy-efficient—with a goal of a 40% improvement in energy efficiency by 2020. Diplomats say the country is willing to reduce emissions between 20% and 25% from 1990 levels. Prime Minister Vladimir Putin says Russia will join a post-Kyoto agreement only if other countries sign up for it and if Russian forests' contribution to reducing global carbon dioxide is taken into account.

CHINA

China has pledged to curb carbon emissions as a percentage of gross domestic product by 40% to 45% by 2020. These would be voluntary cuts and therefore unlikely to be part of a binding climate-change pact. But it signals China's interest in an agreement at Copenhagen. Such a deal could bring the country benefits: more funding and technology transfers from developed nations, and as an exporter of solar-power and wind-power equipment, increased demand for its products. What China dreads most is the end of Kyoto provisions that grant tradable credits for reducing emissions; China has been the top receiver for the credits, getting 59% of the total.



BRAZIL

Brazil's government will aim to cut greenhouse-gas emissions between 36% and 39% by reducing deforestation in the Amazon rain forest and increasing the use of fuel-efficient cars and trucks that use biofuels as well as gasoline. But the emissions target is voluntary and depends on the government obtaining financing for the aggressive goals, indicating that Brazil isn't willing to stifle industrial output in Latin America's largest economy. And efforts to reduce deforestation in the Amazon could be stymied by lawlessness in the poverty-stricken region.

AFRICA

African countries blame developed countries for greenhouse-gas emissions and want to be compensated for the impact of global warming. But they disagree on priorities. The African Union wants billions of dollars (leaders won't say exactly how much) to adapt to climate change, which is blamed for record droughts in East Africa and flooding in other regions.
Oil-producing nations, such as Nigeria, want compensation for the lost revenues that could result from expected declines in oil consumption by industrialized nations.

INDIA

India, which has long resisted the imposition of carbon-emission caps, says it is ready to cut emissions intensity 20% to 25% by 2020, but won't accept legally binding targets. It argues that it needs development and economic growth before it should consider fixed emission caps and that the developed world has a historic responsibility to take more restrictive measures because it caused decades of atmospheric damage. India also favors financing and technology transfer to boost green energy solutions.

INDONESIA

In Indonesia, the world's No. 3 carbon-dioxide emitter (after China and the U.S.), much of the emissions result from deforestation. It probably will ask for international technology and funds for forest conservation. Also, it favors self-monitoring in future programs that give credits for reducing emissions from deforestation, and hints it will oppose efforts to create an international monitoring body. The nation pledges to cut emissions 26% by 2020 from "business-as-usual" levels, but officials say Indonesia will raise its target to 41% if it receives the international funding and technology support it needs.

China

Continued from page 15

on a significant water-pollution case; most of the litigation they see involves minor disputes over forestland, according to a presentation by Li Zhiping, a law professor at Sun Yat-Sen University in Guangzhou.

The result of all this isn't just unchecked pollution; it's civil unrest. Because it's so troublesome for individuals to bring lawsuits, environmental disputes are often settled in the streets instead of courtrooms.

Consider a recent incident in Liuyang City, in central China's Hunan Province. In late July, 1,000 people rioted to protest waste dumping at a local plant that sickened 509 people. According to Chinese state media, villagers said they had petitioned for a government investigation since 2007, to no avail. Only after the riots were three government officials prosecuted for their role in the scandal.

"The overall hope with environmental litigation is that we need a reliable way for these inevitable disputes to be resolved," says Mr. Wang of the China Environmental Law Project. "Otherwise there's the chance that it will spill out to protests or riots in the streets."

An Important Step

Though progress has been slow, environmental advocates see the courts as a positive step. "The specialized courts are useful and helpful in the environmental-protection legal system," says Wang Canfa, the head of the Center for Legal Assistance to Pollution Victims in Beijing and one of China's most celebrated environmental advocates. "I believe there will be more courts in the future."

And environmentalists and lawyers are heartened by the recent court decisions allowing the ACEF to pursue its pollution lawsuits against a local government and an industrial company. "What is interesting and hopeful about these environmental-court experiments is that it's a big step forward for the courts and the role of lawyers in environmental disputes," says Mr. Wang of the Environmental Law Project. "It will save the country a lot of costs in the long run because they will start addressing problems earlier."

Another potentially positive move: A new tort law, which was released in early November for comment by the National People's Government, includes an environmental section. Though the torts are mostly covered by existing statutes, the new law may help raise the profile of the environmental courts among the Chinese people, says Mr. McElwee of Squire, Sanders & Dempsey. And that may encourage them to take action against polluters.

Environmentalists and lawyers acknowledge that significant work remains. China's legal system is still young, rebuilding itself in the past 30 years after decades of neglect during the Great Leap Forward and the Cultural Revolution. And the actions of the newly empowered advocacy groups like the ACEF can be quickly reversed. Though they act independently of government ministries, ultimately they operate under governmental supervision and use government funds. If Beijing decides that these experiments in advocacy aren't working, it can easily throw up a wall to head off reforms.

For now, though, the attention of the courts means that more work will be done, says Mr. Wang of the Center for Legal Assistance to Pollution Victims. "It's good for the development of the law, because [the courts] and their employees are wholly focused on environmental issues," he says. "Also, when lawyers are sent to these newly established environmental courts, they need to find things to do to justify their job, which gives them an incentive to hear more pollution cases."

What global warming?

A look at the arguments that skeptics make—and how believers respond

By Michael Totty

Tim Bower

When we recently ran an article about ideas on ways to cool the planet, we were swamped with emails from people who were impassioned in their belief that global warming is a myth. It was striking that so many people held views at odds with what is apparently the consensus among climate scientists, as well as policy makers.

That consensus, simply put, states that the planet is warming, and that most of the temperature rise is very likely due to an increase in greenhouse gases in the atmosphere caused by human activity. Barring a reduction in greenhouse-gas emissions, the 21st century will see more frequent heat waves, intense storms and, in the tropics, declines in rainfall.

So, what do the skeptics say? In a nutshell, they argue that the warming in the past century has been modest and that human activities' contribution to the warming has been minimal; there is no crisis. Here are some of their major points—and the response by those who believe in global warming.

WHAT THE SKEPTICS SAY: The Earth isn't warming—at least not to any extent that could actually be called a "crisis." And some data even suggest that the Earth is getting colder.

The planet may have grown warmer over the course of the 20th century. But that warming stopped more than 10 years ago, and since 1998 the trend shows less warming or even cooling. Indeed, the period from December 2007 through November 2008 was the coldest 12-month span of the decade. Even if the planet isn't cooling, there's no evidence that warming is accelerating or that temperatures are increasing at an alarming rate.

THE RESPONSE: It's true: By most measures, average temperatures this decade seem to have plateaued.

But this isn't evidence of a cooling planet. Partly, it's a result of picking an exceptionally hot year—1998—as a starting point. That year experienced an unusually strong El Niño, a natural and periodic warming of the Pacific Ocean that can have powerful effects on global climate.

The long-term trend since the mid-1970s shows warming per decade of about 0.18 degree Celsius (about 0.32 degree Fahrenheit). That temperatures this decade have hardly increased demonstrates how natural year-to-year variations in climate can either add to or subtract from the long-term warming trend caused by the increase in greenhouse gases in the atmosphere.

The '00s still have been exceptionally warm: The 12 years from 1997 through 2008 were among the 15 warmest on record, and the decade itself was hotter than any previous 10-year period. While 2008 was the coolest year since 2000—a result of the cooling counterpart of El Niño—it was still the 11th-warmest year on record. And 2009 is on track to be among the five warmest.

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WHAT THE SKEPTICS SAY: Surface-temperature records are unreliable and exaggerate the amount of warming.

The reason some scientists think the planet is warming drastically is that they're relying on temperature readings from ground weather stations that in many cases have been artificially boosted by an "urban heat island" effect. Most temperature-gathering weather stations are located in cities or towns. Yet cities generally trap more heat—in asphalt, concrete and other structures—and the effect can be significantly greater than any warming effects of greenhouse gases.

THE RESPONSE: It's true there's an urban heat-island effect. But there's no evidence that this has skewed the warming trends that indicate global warming.

NASA's Goddard Institute for Space Studies compares temperature readings from urban weather stations with those from nearby rural stations, and adjusts the urban data so that temperature trends match those of the rural stations. And any trends in the data are based on the rural readings alone. Other scientists have found that apparent differences between urban and rural temperature readings have probably been overstated.

There's also plenty of evidence independent of the urban temperature readings to suggest that the planet is heating up: Oceans are warming, glaciers and permafrost are disappearing, the Arctic ice cap is shrinking, and plants and animals in the Northern Hemisphere are migrating northward out of their historic ranges.

WHAT THE SKEPTICS SAY: Satellite temperature readings are more reliable than those taken from surface weather stations, and satellites show little warming over the past 30 years.

Satellite readings of temperatures of the lower atmosphere compiled by the University of Alabama-Huntsville show a smaller warming trend over the past 30 years than the surface record. This minor temperature increase is well within natural variations. It may even point to a break, around 2002-03, in the 20th century warming trend.

THE RESPONSE: The earliest studies of temperature trends using satellite data did show significant differences with the surface-temperature trend, but much of that stemmed from problems with how the satellite data were put together. As errors have been corrected, the satellite and weather-balloon measures of the lower atmosphere show warming trends similar to the surface measures.

WHAT THE SKEPTICS SAY: There's nothing especially unusual about today's temperatures.

The Earth's climate is constantly changing, and climate shifts have been far more dramatic in the past. Temperatures rose during in the Medieval Warm Period, which extended from about 800 to 1300 A.D., and the period was as warm or warmer than the 20th century. That's long before industrialization caused an increase in CO_2 levels, undermining the link between rising atmospheric carbon dioxide and rising temperatures. It's likely that the warming trend we're experiencing today is merely the expected return to warmer temperatures after the Little Ice Age, a period of extremely cold winters from the 16th to the early 19th century.

THE RESPONSE: Reliable temperature records go back only about 150 years. To get a picture of the pre-modern world's climate, it's necessary to correlate data from a variety of proxy sources around the globe, such as ice cores, coral growth, tree rings and the like. These temperature reconstructions show a similar pattern: a warmer period in the Middle Ages, a cooler period from about 1600 into the 1800s—and much higher temperatures in the late 20th century.

While the reconstructions suggest that temperatures in the Middle Ages were as high as those in the early 20th century, they were probably lower than the sharp temperature increase over the past 30 years. The warmest temperatures before the 20th century probably occurred between 950 and 1100 and were probably more than 0.1 degree Celsius below the 1961-1990 average (which is used as a benchmark for most current temperature measures).

Still, there is a great deal of uncertainty in the temperature reconstructions, and the uncertainty increases as scientists look further back in time. While there's evidence for warm conditions during the Medieval period, exactly when it was warmer and for how long may have varied around the world.

WHAT THE SKEPTICS SAY: Natural factors are enough to account for the moderate warming we've seen since 1900.

Changes in solar output in the past have contributed to wide temperature swings across the globe. Other natural phenomena, such as the El Niño Southern Oscillation and its cooling counterpart, La Niña, can cause large but temporary climate shifts. These normal fluctuations are enough to cause the warming of the planet, while the effects of greenhouse-gas emissions remain relatively small.

THE RESPONSE: There's no question that solar energy and periodic, natural changes affect the world's climate. But these natural factors aren't enough to account for the sharp increase in temperatures since the late 1970s.

Studies of solar output over more than 1,000 years show a strong relationship with temperatures in the Northern Hemisphere; temperatures rise when solar output increases and fall when solar radiance, measured by sunspot and other activity, decreases. But the studies have found that solar energy doesn't account for the steep temperature rise since the mid-1970s, a period in which solar output has remained relatively unchanged. The sun's contribution to warming since then has been negligible.

Natural climate changes, like El Niño, also have a definite impact on weather patterns for as much as a decade; El Niño, for instance, accounted for the high temperatures in 1998. But such climate changes occur in recurring cycles and don't show longer-term trends.

WHAT THE SKEPTICS SAY: There's no evidence that rising sea levels are linked to increased CO_2 levels.

Sea levels are certainly rising, and they have been since the last Ice Age 21,000 years ago. But the observed increases in the 20th century are relatively small, and recent studies indicate that sea levels may have risen more quickly in the first half of the century than in the second. There has been no sign of a recent acceleration in the rate of sea-level rise. The increases we have seen may reflect only periodic, decade-level fluctuations, not a continuing, long-term increase. This suggests the sea-level rises this century will be about the same as last century and could easily be accommodated.

THE RESPONSE: After rising following the last Ice Age, sea levels stabilized about 2,000 years ago and held fairly steady until about 1800, but they have been rising since then—about 1.7 millimeters a year for the 20th century. But contrary to what the skeptics say, satellite readings indicate sea levels rose about 3.4 millimeters a year, or a little more than one-eighth of an inch, from 1993 to 2008. Although such a sharp short-term climb is very likely a sign of a long-term acceleration in sea-level increases, it is recent enough that it still could indicate decade-level variability; assessing the long-term trend will require more years of data.

For the rest of the 21st century, ocean levels are projected to rise at a greater rate as the melting of ice sheets in Greenland and West Antarctica accelerates. Accurate projections of the rise are difficult, however, because the mechanics of the melting ice sheets are poorly understood. The Intergovernmental Panel on Climate Change, a U.N.-afiliated organization, estimated in 2007 that sea levels will rise between 18 centimeters and 59 centimeters by 2095, with another rise of 10 to 20 centimeters possible if the melting of those ice sheets speeds up. But a recent report predicts that the rise in sea levels this century is likely to be twice as great as the IPCC report projects.

WHAT THE SKEPTICS SAY: Polar ice isn't disappearing.

Warmer temperatures are partly responsible for recent declines in sea ice in the Arctic, but shifting winds are the main factor. What's more, declines in the northern ice cap have been counterbalanced by increases in the Antarctic ice pack, so there's little net loss of polar ice. These opposite trends argue against the existence of man-made global warming.

THE RESPONSE: The two ends of the Earth do seem to behave differently, but that reflects the complexity of the world's climate system and isn't evidence against global warming.

The Arctic is an ocean surrounded by land, which holds in more heat. Also, as the ice cap melts, the darker ocean absorbs more heat and accelerates the rate of warming. The Antarctic, by contrast, is a continent surrounded by ocean, and climate models predict that it will respond differently to global warming.

In the north, satellite measurements show that Arctic sea ice has decreased steadily since the late 1970s; in September, when the ice cap is at its smallest, sea ice has declined about 10% a decade, or about 28,000 square miles through 2007. Though the ice has recovered somewhat, the September 2009 minimum was still 24% below the average from 1979 to 2000. What's more, the sea ice is thinner and probably reached a record low volume in 2008.

In the Antarctic, meanwhile, wintertime ice has extended its range by about 1%, or almost 39,000 square miles, a decade. (Most Antarctic sea ice typically disappears completely in the summer.) The mechanism for this isn't completely understood; scientists theorize that ozone depletion in the region contributes to stronger and colder winds that promote production of sea ice. It's also possible that increased snowfall—a result of a warmer southern ocean and air temperatures—also add to the amount of sea ice.

WHAT THE SKEPTICS SAY: There is no consensus that human-caused warming is creating a disastrous rise in global temperatures. The causes of 20th-century warming are in sharp dispute among scientists, as is the amount of warming expected in the future.

THE RESPONSE: Science is rarely final, and it always has its skeptics. Hypotheses are tested and retested as more data are collected and examined, and disagreements among researchers play a vital role in moving scientific understanding forward.

But the vast majority of scientists who study the climate agree on the essential points: that the Earth is getting warmer and that most of the warming in recent decades is caused by carbon-dioxide emissions from human activities. As CO_2 concentrations increase, the rate of warming will accelerate.

This view, summarized by the IPCC, is endorsed by the world's leading scientific organizations, including the national academies of science in a score of countries, and in the U.S. by the American Association for the Advancement of Science, the American Geophysical Union and the American Meteorological Society. In a recent survey of more than 3,000 Earth scientists, 82% agreed that human activity is a "significant contributing factor" in changing global temperatures. Specialists were in greater agreement: 75 of the 77 climate scientists who actively publish in the field agreed with the statement.

Averting disaster

How Sainsbury's is trying to limit the environmental impact of palm oil

By Ben Wright

It is the man-made ecological disaster that most people have never heard of. Although most shoppers don't know it, thousands of products on supermarket shelves contain palm oil—it is the world's cheapest vegetable oil and appears in items ranging from ice cream to soap and from peanut butter to toothpaste.

Such is the high level of demand that farmers are clearing millions of hectares of virgin rainforests in the tropics, and especially in Southeast Asia, to make way for ever-expanding palm-oil plantations. In the process, some are destroying the habitat of endangered species. Orangutans, which are now limited to the islands of Borneo and Sumatra, are among the species most threatened by the palm-oil trade.

The $26 billion-a-year industry is expected to grow 10% a year. As well as being used in about 50% of all packaged food products in supermarkets, according to the World Wildlife Fund, palm oil is also an important bio-fuel for "green" cars and power stations.

This year, **Sainsbury's**, the U.K. supermarket chain, topped the World Wildlife Fund's European palm-oil buyers scorecard, which ranks the purchasing practices of the largest European companies that produce or sell everyday consumer products.

Sainsbury's has committed to only use certified sustainable palm oil in its products by 2014. The company's sustainability manager, Fiona Wheatley, spoke to The Wall Street Journal about one of the world's least well-known environmental issues.

THE WALL STREET JOURNAL: *What are the dangers of using non-sustainable palm oil?*
MS. WHEATLEY: While well-managed plantations exist and serve as models of sustainable agriculture, there is concern that not all palm oil is being produced sustainably. The development of new oil-palm plantations has, in some cases, resulted in the destruction of forests with high conservation value, threatening the rich biodiversity in these ecosystems.

WSJ: *What steps have been taken to lessen the environmental impact of palm-oil production?*
MS. WHEATLEY: To meet global demand for vegetable oil, the oil-palm industry needs to increase production. However, it is imperative that the expansion must be done sustainably. It is necessary to develop a globally acceptable definition of sustainable palm-oil production and use. The Roundtable on Sustainable Palm Oil was established to define and promote the sustainable production of palm oil.

WSJ: *What characterizes sustainable palm oil?*
MS. WHEATLEY: The mills that produce certified sustainable palm oil must prove valuable forests have not been destroyed in the development of new oil-palm plantations. Other criteria for certification control the way the oil-palm plants are grown and harvested, the environmental practices of the crushing mill, and the social conditions of the workers, smallholder growers and communities local to the mill.

WSJ: *What are the main challenges to this initiative?*
MS. WHEATLEY: An important challenge for the palm-oil industry is replacing commodity trading systems, which regard all palm oil as equal, with traceability systems that separate the certified sustainable palm oil from all other production.

Once the palm-oil mill has been certified as meeting the standards of the RSPO, every company that handles the palm oil also has to prove that they have systems in place to make sure that uncertified palm oil cannot be passed off as sustainable. This assures buyers that they are getting what they pay for and that their investment is being used to protect forests and biodiversity.

WSJ: *What are the difficulties in sourcing sustainable palm oil?*
MS. WHEATLEY: There are currently many plantations that have had RSPO audits and are waiting on the RSPO to confirm their certification. The RSPO has to be confident that audits have been rigorous and this is leading to a delay in issuing certificates.

Sustainable palm oil is more expensive. It requires separate storage and processing through the supply chain. Growers also have to invest to ensure their oil-palm growing practices meet the standards required to prove sustainability. Take-up has been slow.

If more companies started buying sustainable palm oil, it would stimulate the market and prompt more palm-oil producers and users to invest in the necessary infrastructure. This in turn would lead to a drop in prices, an increase in production and the all-important decrease in deforestation.

WSJ: *How best can these difficulties be overcome?*
MS. WHEATLEY: The RSPO is recruiting more people to speed up the certification process. This will release more palm oil that has been certified as sustainable to those markets that demand it.

Retailers like Sainsbury's are asking their suppliers to buy sustainable palm oil.

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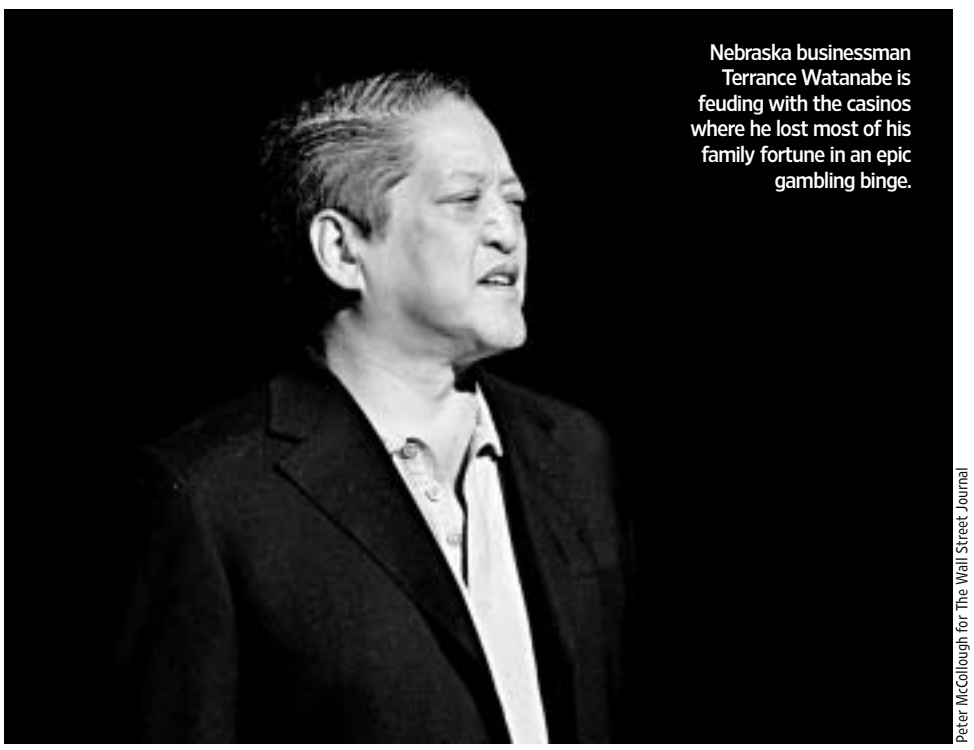
IN DEPTH

The gambler who blew $127 million blames casino

Terrance Watanabe's situation illustrates the often-uneasy relationships gambling houses have with their biggest clients

By Alexandra Berzon
Las Vegas



Nebraska businessman Terrance Watanabe is feuding with the casinos where he lost most of his family fortune in an epic gambling binge.

Peter McCollough for The Wall Street Journal

DURING a year-long gambling binge at the Caesars Palace and Rio casinos in 2007, Terrance Watanabe managed to lose nearly $127 million.

The run is believed to be one of the biggest losing streaks by an individual in Las Vegas history. It devoured much of Mr. Watanabe's personal fortune, he says, which he built up over more than two decades running his family's party-favor import business in Omaha, Neb. It also benefitted the two casinos' parent company, Harrah's Entertainment Inc., which derived about 5.6% of its Las Vegas gambling revenue from Mr. Watanabe that year.

Today, Mr. Watanabe and Harrah's are fighting over another issue: whether the casino company bears some of the responsibility for his losses.

In a civil suit filed in Clark County District Court last month, Mr. Watanabe, 52 years old, says casino staff routinely plied him with liquor and pain medication as part of a systematic plan to keep him gambling.

Nevada's Gaming Control Board has opened a separate investigation into whether Harrah's violated gambling regulations, based on allegations made by Mr. Watanabe.

In April, the Clark County District Attorney's office charged Mr. Watanabe with four felony counts in district court for intent to defraud and steal from Harrah's, stemming from $14.7 million that the casino says it extended to him as credit, and that he lost. Although Mr. Watanabe has paid nearly $112 million to Harrah's, he has refused to pay the rest. He denies the charges, alleging that the casino reneged on promises to give him cash back on some losses, and encouraged him to gamble while intoxicated. If convicted, Mr. Watanabe faces up to 28 years in prison.

Jan Jones, Harrah's senior vice president for communications and government relations, says Mr. Watanabe's civil suit and his defense against the criminal charges are attempts to get out of paying a debt and to avoid accepting responsibility for his own actions. "Mr. Watanabe is a criminal defendant who faces imprisonment," Ms. Jones says. "All of his statements need to be seen in that light."

Several former and current Harrah's employees say their managers told them to let Mr. Watanabe continue betting while he was visibly intoxicated, even though casino rules and state law stipulate that anyone who is clearly drunk shouldn't be allowed to gamble. These employees say they were afraid they would be fired if they did anything to discourage Mr. Watanabe from gambling at the casinos.

Ms. Jones says company policy is to ask intoxicated gamblers to refrain from gambling. She says Harrah's has conducted an internal investigation into how its staff treated Mr. Watanabe but declined to release details because of the ongoing litigation.

Mr. Watanabe declined to be interviewed for this article. His lawyer, Pierce O'Donnell, says Harrah's "preyed" on Mr. Watanabe's condition. But he says his client also acknowledges that he "drank to excess." Mr. Watanabe "takes full responsibility for his condition at the time....He's not saying the devil made me do it."

Mr. Watanabe's situation illustrates the often-uneasy relationships casinos have with their biggest clients, also known as "whales." Casinos vie to lure these high rollers by doling out luxury suites, use of private jets, and a cadre of personal handlers to fulfill every flight of fancy, from wire transfers to fishing trips to Alaska.

Analysts say competition for this group has become especially fierce because the portion of revenue from big-spending clients appears to be increasing amid a downturn in overall gambling. Part of that analysis is based on revenue from baccarat, a high-stakes game favored by high rollers. Baccarat play on the Las Vegas Strip grew to 14.7% of gambling revenue in the last 12 months from 13% during the same period in 2007, according to state gaming regulators. Revenue from all gambling on the Strip over the same period has declined 19.1%.

But casino operators often struggle to manage high rollers. Some are compulsive gamblers whose losses—and lives—can quickly spiral out of control. In some instances, gamblers have tried to turn the blame around on casinos in civil suits. Such attempts are rarely, if ever, successful, experts say.

In 1993, former Philadelphia Eagles owner Leonard Tose failed to convince a jury in a civil suit against Hollywood Casino Corp. that employees of the casino had gotten him so drunk that he didn't know what he was doing when he gambled away millions in Atlantic City, N.J. As a result, he had to pay the casino $1.23 million in gambling debt. He died in 2003.

Nevada treats unpaid gambling debt as a criminal matter handled by the District Attorney's bad-checks unit. Most defendants agree to pay the debt through a payment plan before charges are filed, with around 10% tacked on to fund the D.A. unit. Clark County, which encompasses Las Vegas, prosecutes roughly 200 cases involving gambling debts a month, says Bernie Zadrowski, who runs the bad-checks unit.

Just as in civil cases, people with alleged unpaid debts sometimes try to get out of criminal charges by claiming that casinos had a hand in keeping them intoxicated. Although Mr. Zadrowski declined to comment specifically on Mr. Watanabe's case, he says this kind of defense never works in criminal court: "Uniformly, the rule is nobody made you drunk."

State regulators have the authority to fine casinos for letting people gamble who are visibly intoxicated, but such fines haven't been levied, says Brian Duffrin, executive secretary to the Nevada Gaming Control Board and the Nevada Gaming Commissions.

Still, casinos will sometimes bar gamblers who are behaving erratically or whom they suspect won't pay their debts. "It almost becomes a cost-benefit decision," says Glenn Christenson, a former Station Casinos executive who is chairman of the National Center for Responsible Gaming, an industry-funded addiction organization.

Mr. Watanabe says in court documents that he was barred from the Wynn casino in 2007 because of compulsive drinking and gambling. A Wynn spokeswoman declined to comment on the matter.

Harrah's Caesars and Rio casinos continued to put out the welcome mat. As part of the criminal case against Mr. Watanabe, Wilson Ning, a Harrah's marketing executive, testified before a grand jury in April that he didn't see Mr. Watanabe intoxicated at Caesars or Rio casinos, according to Mr. Zadrowski, the chief deputy district attorney who runs the bad-checks unit.

In 2007, Mr. Watanabe's prodigality became almost as legendary as his gambling. According to court documents, Mr. Watanabe says he regularly handed out to Caesars employees bundles of $100 bills that could total as much as $20,000.

Al Deleon and Kristian Kunder, two of Mr. Watanabe's personal handlers at Caesars, say he had thousands of Tiffany gift boxes filled with $50 gift cards or $100 gift coins that he would hand out to bartenders, nightclub operators, security guards and others. They say he once told a security guard to go to a supermarket and buy every cut of steak, and then proceeded to hand them out to employees.

A native of Omaha, Neb., Mr. Watanabe built his fortune on plastic trinkets, the kind given away at carnivals and church fund-raisers: batons filled with tinsel, magic wands that light up, plastic spider rings that cost $1 for a bag of more than 100.

His father, Harry Watanabe, founded the import business, Oriental Trading Co., in 1932, after immigrating to the U.S. from Japan. As children, Mr. Watanabe and his younger sister and brother worked with their father after school. His mother, Fern, a Nebraska native, was a secretary there.

When Terrance Watanabe was 15, his father asked him if he wanted to take over the business, as is Japanese tradition for the first-born son, says his sister, Pam Watanabe-Gerdes. By the time he was 20, he was chief executive.

Some who knew Mr. Watanabe in Omaha describe him as guarded and shy. But he was also savvy at both marketing and selecting merchandise, says Bob Thomas, a chief operating officer at the company. It was those skills that helped Mr. Watanabe grow a modest toy business into a catalog empire that raked in $300 million in revenue by the time of its sale in 2000, Mr. Thomas says.

The job was all-consuming, say former associates. He traveled for long stretches of time examining merchandise in Asia. He never married. His sister and others who know him say they don't believe he ever had a significant romantic relationship. "That was his life, that company," Mr. Thomas says. "It engulfed him."

In 1995, Mr. Watanabe bought an 18,000-square-foot mansion on 1.6 hectares for $1.8 million, according to RealQuest. A major Omaha philanthropist, he gave millions to AIDS services, according to his foundation's records. He also donated nearly $500,000 to political causes, mostly to the Democratic National Party.

In 2000, Mr. Watanabe sold his company to Brentwood Assoc. of Los Angeles for an undisclosed sum. Oriental Trading has since been acquired by the Carlyle Group.

After the sale, Mr. Watanabe said his plan was to throw himself into his philanthropic work and have more fun. "If it's not fun, it's not worth doing," Mr. Watanabe told his hometown newspaper, the Omaha World-Herald, in 2000.

Donations from his foundation grew, but he soon became restless. Several business ideas, including opening a restaurant, went nowhere. "He didn't know what to do with his time," says his sister.

He found an answer at a Harrah's casino in Council Bluffs, Iowa, across the river from Omaha. He started gambling there in 2003, according to documents filed in Mr. Watanabe's civil suit. He became one of the casino's top customers, says Gabe Sullivan, a former Harrah's host who attended to Mr. Watanabe there.

Once he began traveling to Las Vegas frequently in 2005, Mr. Watanabe's gambling and drinking intensified, according to his civil suit.

In 2006, Mr. Watanabe resided primarily at Wynn Resorts' Wynn Las Vegas casino. But, he says, his heavy betting drew the attention of Chief Executive Steve Wynn. After meeting with him in June 2007, Mr. Wynn concluded that he was a compulsive gambler and alcoholic, and barred him from the casino, according to a letter to the Nevada Gaming Control Board drafted by Mr. Watanabe's attorney, Pierce O'Donnell.

Ms. Jones, the Harrah's vice president, says, "It was not our understanding that he was kicked out of Wynn because of problem gambling."

The casino operator offered him lucrative terms to gamble at its casinos, according to Mr. Watanabe's letter to the Control Board and copies of emails sent from Harrah's to Mr. Watanabe's assistant that were included in the court filings.

IN DEPTH

(Clockwise from top) Associated Press; Courtesy of Watanabe Family; The Omaha World-Herald;

Clockwise, from top: Terrance Watanabe, center, and his sister, Pam Watanabe-Gerdes, leave a Las Vegas courthouse; Mr. Watanabe made his fortune running the party-favor business he inherited from his father, Harry; the company's offices were filled with plastic trinkets.

In a series of emails signed by Mr. Ning, the Harrah's marketing executive, the casino company laid out the terms that it was willing to offer him, which included "a special formula just for Mr. Watanabe."

Mr. Ning specified such offers as tickets to the Rolling Stones, $12,500 a month for airfare and $500,000 in credit at the gift stores. Harrah's also offered 15% cash back on table losses greater than $500,000, special high-limit games and other incentives. Mr. Watanabe alleges that Harrah's later rolled those terms back.

Mr. Ning didn't respond to requests for comment. Ms. Jones declined to comment on whether the company rolled back any incentives, but says "the practice of offering incentives and discounts to significant players is not unusual."

Harrah's Total Rewards Player's Club system, a loyalty program similar to that of other big casinos, created a special rank for Mr. Watanabe, "chairman," according to the filing and several employees. Before Mr. Watanabe, the most exclusive rank was "Seven Star."

Mr. Watanabe resided for free in a three-bedroom suite at Caesars, had access to his favorite bartender, drank a special brand of vodka, Jewel of Russia, and was constantly surrounded by attendants to serve his every need, such as a seven-course meal from the casino's Bradley Ogden restaurant delivered to him while he was gambling, according to the court filing and employee accounts.

Ms. Jones says Mr. Watanabe was treated just like any other high-end gambler: "When his requests were appropriate we met them."

One reason Mr. Watanabe was seen as so valuable to Harrah's, say Messrs. Deleon and Kunder, two of his handlers, is that he gravitated toward games with low odds, including roulette and slots. "He was considered a 'house' player because slots and roulette are house games—they have terrible odds for the player," says Mr. Kunder. "And the way he played blackjack, he made it a house game. He made such bad decisions on the blackjack table."

Ms. Jones disputes this interpretation. "I don't put a lot of credibility" in that, she says.

Several employees say Mr. Watanabe would stay at the tables for up to 24 hours, sometimes losing as much as $5 million in a single binge. He was allowed to play three blackjack hands simultaneously with a $50,000 limit for each hand. At one point, the casino raised his credit to $17 million, according to court documents.

Ms. Jones says for high rollers, the company will often extend credit.

When Mr. Sullivan, the Iowa casino host, visited Mr. Watanabe in Las Vegas during the height of his binge in 2007, he says, Mr. Watanabe appeared incoherent and had trouble remembering details of conversations. Other employees recall Mr. Watanabe stumbling around and dozing off at casino tables, some of which were located next to a nightclub blaring loud music.

Mr. Kunder and Mr. Deleon say they both voiced concerns to managers that Mr. Watanabe was too intoxicated, and were told not to get involved. "Nobody wanted to be the one to cut him off," Mr. Kunder says. "We were afraid of what upper management would do if he left because of our actions."

Mr. Kunder left Harrah's in the summer of 2008 to work at nightclubs. He has since moved to Chicago and works at a cell-phone company. Mr. Deleon left the casino in March 2009 to do similar work at Red Rock casino, owned by Station Casinos. Mr. Sullivan left Harrah's in March 2008 when his contract wasn't renewed by Harrah's. Ms. Jones says the departures were not related to Mr. Watanabe, but declined to further discuss the situations of individual employees.

Mr. Watanabe alleges that during this period Harrah's not only didn't make him leave when he was drunk, but it plied him with alcohol and prescription drugs to encourage him to stay and gamble.

Several Caesars employees say there was no policy to keep Mr. Watanabe drugged or drunk. But, they say, staff knew the company wanted to keep one of the Strip's most lucrative customers, and so looked the other way. A picture of him was hung in employee back rooms, they say.

Ms. Jones says there was nothing inappropriate or unusual about fulfilling the reasonable requests of a good customer.

"We're in the gambling business," she says. "We had no reason to believe that Terry Watanabe was anything other than a big player with huge resources who made an adult decision to bet the money he did. Are we going to provide an environment that keeps him very happy? Of course we are."

Regarding Harrah's alcohol policy, Ms. Jones says, the company tells its employees to ask people who are clearly intoxicated to refrain from gambling, as required under state regulations. Employees attend a responsible-gaming class every year where they learn how and when to tell gamblers to leave the casino. The company has a phone number that employees can call to anonymously report unethical or improper behavior by other employees. There are no reports that anyone called the number regarding Mr. Watanabe, Ms. Jones says.

In its marketing materials, Harrah's reports its record as an early advocate and funder of organizations that help gambling addicts. Among other measures, it honors requests from addicts that they be barred from all casinos run by the company.

In September 2007, Mr. Watanabe fell in his room and hurt his back. He says his handlers—including Mr. Kunder and Mr. Deleon—supplied him doses of the prescription pain medication Lortab without a doctor's prescription, his court filing says.

Mr. Kunder says he gave Mr. Watanabe prescription pain medication from his personal supply a single time on the day after the fall upon Mr. Watanabe's request. Mr. Deleon says he never gave Mr. Watanabe drugs.

Ms. Jones said that if employees ever provided Mr. Watanabe drugs, it would be against company policy.

Mr. Watanabe's sister says she and her brother and sister-in-law weren't aware of how much money he was losing until a 2007 Thanksgiving visit, when he opened up to her about the depth of his losses. "It was embarrassing for him," she says.

Two weeks later, she says, she returned to Las Vegas and brought him home. Mr. Watanabe was back in Las Vegas gambling for a period in 2008. But he entered a residential treatment facility that year and hasn't entered a casino since, Ms. Watanabe-Gerdes says.

In July 2008, Mr. Watanabe sold his Omaha mansion for $2.66 million to a developer, according to Douglas County records. He now lives near San Francisco.

Next summer, Mr. Watanabe is due to stand trial on the felony charges stemming from his debts. In May, he pled not guilty.

FROM PAGE ONE

Japan halts landmark sale of its postal service

Continued from first page
in January that would rewrite Japan Post's business model as well as guarantee postal and financial services nationwide.

Mr. Hatoyama's ministers say they see the country's 24,532 post offices as vehicles for a more active government social policy, with a mandate for everything from narrowing wealth disparities to protecting the weak.

"Japan Post has outlets across Japan including in mountains and islands. We could use them as bases for elderly care or places to pay out pensions," Shizuka Kamei, Mr. Hatoyama's postal services minister, said in an interview. Mr. Kamei has floated using the branch network to support small businesses, provide nursing care and even as a dating network to help increase the birth rate of Japan's aging population.

Private financial institutions here and internationally fear the reversal will leave them facing market-distorting competition from a government-backed rival. Japan Post has already begun to diversify its product offerings as it has prepared to act more like a business. It may continue to do so, post officials say, with the added advantage of an implicit government safety net and lighter regulation.

"If the government owns most of the stock, it will enjoy unfairly favorable competition conditions in comparison with private financial institutions," Katsunori Nagayasu, chairman of the Japan Bankers' Association, said at a recent press conference.

Aflac Inc. of the U.S., for one, raises about 70% of its global revenue in Japan as the country's No. 1 seller of cancer insurance. Japan Post is now eyeing that sector. The chairman of Aflac's Tokyo operations was recently named to the board of the U.S.-Japan Business Conference, which last month expressed concern about the Hatoyama administration's shifts at Japan Post. "Ensuring equivalent conditions of competition is essential in determining whether the postal financial entities broaden the range of products underwritten/manufactured," the Nov. 3 statement said.

Policy-reversals may also lead to inefficiencies the country can hardly afford, says former minister Heizo Takenaka, who served as Mr. Koizumi's point man on the Japan Post plan. "This is very bad for Japan," he said in an interview. "Stopping privatization will delay competition in the financial-service sector and the revitalization of the nation's economy."

Agence France-Presse/Getty Images

Postal Services Minister Shizuka Kamei, shown delivering a speech in October, is a leader of efforts to roll back market reforms that Junichiro Koizumi promoted.

Japan Post's roots date to the 1870s. The government used Japanese households' deposits to help fund construction spending, particularly after World War II. Postal savings funds continued to pay for big public-works projects through the 1990s. LDP politicians often steered those projects to construction firms that helped keep it in power with campaign contributions and votes from their workers.

Amid the global push for smaller government in the 1980s and 1990s, several countries began privatizing their postal savings systems. Japanese politicians were reluctant to follow suit until the iconoclastic Mr. Koizumi became prime minister in 2001 and made postal privatization the centerpiece of his agenda. Japanese voters approved his plan in a landslide 2005 vote, seeing the selloff as a symbol of needed reform after a decade of economic stagnation.

Mr. Koizumi's administration then split Japan Post group into four separate parts—banking, insurance, mail delivery and over-the-counter services—and readied the bank and insurer for sale.

On Aug. 30, 2009, the LDP lost power to Mr. Hatoyama's DPJ. But exactly what the winner and its coalition partners intended to change remained unclear. Now the coalition is increasingly defining its broader economic policy approach as trying to protect people from weak growth, rather than taking measures to spur growth, and its mandate as one of reversing moves in recent years toward free-market liberalization.

On top of passing laws pressing banks to offer loan forgiveness and to reverse privatization, the DPJ has also promised to try and roll back the expansion in recent years of part-time workers. Use of part-timers has given employers more flexibility to manage their workforce in a system that was dominated by full-time, lifetime employment.

A leader of the new government's countercharge against the Japan Post selloff is Mr. Hatoyama's postal reform minister, Mr. Kamei.

A longtime LDP member, Mr. Kamei was opposed to the postal overhaul and left the party in 2005 over it. He came back into government after the LDP's August defeat, as head of the small People's New Party, which joined the DPJ's coalition.

Mr. Kamei is a leader of the new market-skeptic campaign. His retort to the economists' critique of Mr. Hatoyama's policies: "Economics cannot be grasped through study, it must be felt in our daily lives...today's economists lack sense, they are completely incapable."

Born into a poor family in Hiroshima, Mr. Kamei has long reveled in making attacks on behalf of what he portrays as Japan's little guy. He was expelled from high school in the 1950s for distributing fliers protesting student fees. After graduating from the elite University of Tokyo, he joined the National Police Agency before launching a parliamentary career with the LDP in the late 1970s, rising to the plum post of construction minister in the mid-1990s.

Now, back in government four years after leaving the LDP, Mr. Kamei is leading the charge to undo Mr. Koizumi's policies. "Koizumi's occupying army seized control of Japan Post and made a complete shambles of it. I expect their withdrawal and afterwards we will develop a lively, vivacious business," he said.

Mr. Kamei and others argue the privatization's early stages have already spread pain among postal workers and residents in remote areas.

Masuo Tanabe, manager of the Tomiyama post office in the Aichi prefecture in central Japan, said he is happy privatization has stopped. He has cut staff from three to two and has expected his office to lose its unprofitable postal savings and insurance service.

Without the office's banking services, Mr. Tanabe said, Tomiyama residents—the majority of whom he said are over 60—would have to travel more than an hour to the closest bank. "That would be a matter of life or death for the people here," he said.

Reversing privatization has potential costs as well. Money-losing post offices will require financial support. Also, the blocked sale of shares deprives the government of trillions of yen in proceeds at a time the DPJ struggles to cover Japan's expanding budget deficit and looks for revenue to fund new social welfare programs.

Private financial institutions have two main concerns about ending privatization: reduced access to household savings currently locked up in the postal savings system, and greater competition from a government-backed business.

Banks argue that the government-run Japan Post for years drew depositors who considered the state-run institution a safer place to stash their savings. In recent years, Japan Post Bank's assets have been shrinking as savers gradually shifted money to the private sector, a trend that now might reverse, analysts say. Between March 2004 and September 2009, Japan Post Bank's assets fell 32% to 190.4 trillion yen ($2.10 trillion) while those of Japan Post Insurance slid 15% to 103.9 trillion yen.

At the same time, Japan Post is likely to continue its move into new financial products, even as it keeps its government backing. Since 2007, Japan Post has started participating in syndicated loans and offering credit cards and has launched sales of a new hospitalization rider for life insurance policies.

Mr. Kamei has provoked outrage among private firms by proposing Japan Post should be exempt from the Banking and Insurance Business Law that governs all financial institutions. He wants to loosen the regulations to allow Japan Post to lend on a noncommercial basis to small companies.

The minister said Japanese and foreign financial firms should view Japan Post's size as an opportunity, not a threat. He said Japan Post already distributes private companies' products and sees more in the pipeline. Japan Post started acting as a home-loans sales agent for local lender Suruga Bank Ltd. in 2008.

Kazuhiro Haraguchi, minister for internal affairs and communications, who shares authority over Japan Post with Mr. Kamei, said private banks shouldn't be so concerned as he sees Japan Post providing credit that other institutions wouldn't extend. He likened his vision of Japan Post to that of Grameen Bank in Bangladesh. "Money used in the interest of the community is not 'competitive,'" he said.

—Makiko Segawa and Miho Inada contributed to this article.

WSJ.com

ONLINE TODAY: Read recent quotes about the freeze of Japan Post's privatization at **WSJ.com/World**.

Kuwait's wealth fund sells its Citi stake for $4.1 billion

Continued from first page
ter Abu Dhabi made about £1.5 billion when it sold the bulk of its Barclays stake in June.

Kuwait's exit from Citi comes as another Gulf sovereign-wealth fund, the **Abu Dhabi Investment Authority**, may have to overpay on about $7.5 billion of the Citi shares it is committed to buy at $31.83 each in a deal struck two years ago. The stock closed at $4.09 last week on the New York Stock Exchange. The fund, also known as Adia, committed in November 2007 to pump billions into Citi in return for an 11% dividend up to March next year, when it has to start buying the bank's common stock.

A spokesman for Citi in Dubai was unable to comment.

The KIA is one of the oldest and most experienced of a handful of Middle East government investment funds, with assets estimated at more than $200 billion. Its investment in Citi had drawn criticism from Kuwaiti lawmakers fearing big losses.

Sovereign-wealth funds are unwinding investments in Western banks after buying during the financial crisis.

Both the KIA and Adia helped rescue Citi, which turned to the U.S. Treasury twice for infusions of capital and left the U.S. government owning 34% of the bank. At one point in March, Citigroup stock traded below $1 a share.

"At the end of the day, sovereign-wealth funds are just institutional investors that look to make returns for their shareholders, and the KIA found an opportunity to do just that," Hani Kablawi, a co-chair of the sovereign advisory board at Bank of New York Mellon Corp., said in a phone interview.

Saudi Arabia's Prince Alwaleed bin Talal remains one of Citi's largest individual investors since he helped rescue the bank from near collapse in the 1990s.

Gulf sovereign-wealth funds, flush with petrodollars from a six-year oil rally that ended in 2008, poured billions of dollars into Western lenders last year as they ran in trouble.

Reuters

A view of Kuwait City's skyline. Kuwait's wealth fund is one of the oldest and most experienced in the Middle East, with assets estimated at over $200 billion.

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BUSINESS & FINANCE.

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Singapore, China learn hard lessons

[Asia Deal Journal]

By Rick Carew

HONG KONG—The financial crisis taught most of the investing world a lesson about managing risk. Asia's sovereign-wealth funds appear to be taking some lessons from bad investments to heart.

After the initial embarrassment of heavy losses on investments in Wall Street, state-owned investors in China and Singapore are reshaping their strategies by diversifying their investment scope and focusing on markets where they have better knowledge.

They are also attracting talent more willing to consider jobs at these funds, although all efforts in this direction haven't been successes. These two countries' funds are Asia's largest, and Singapore's funds are viewed as models by other countries, making them essential to understanding how other Asian sovereign funds from South Korea and Malaysia will reshape themselves.

"For many sovereign-wealth funds, this is their first brush with difficulty," Howard Marks, chairman of alternative-investment firm **Oaktree Capital**, said in a recent interview in Hong Kong.

"I imagine they will tighten up their practices and will start to look at investments as something other than just the chance to make money," Mr. Marks said. "It's also a chance to lose money or get stuck in an unattractive vehicle."

China Investment Corp. learned the earliest lesson by investing $3 billion in Blackstone Group LP in May 2007 ahead of the private-equity firm's initial public offering. CIC didn't even have an official name when the deal was announced and had no internal structure in place to evaluate the deal. But CIC thought it saw a rare opportunity. In China, pre-IPO investing had been a profitable strategy for global private-equity funds and hedge funds. So, CIC executives thought, why can't we do the same thing?

They soon learned that pre-IPO deals aren't always winners: U.S. financial stocks, including Blackstone, took a dramatic turn downward. Still, people who work closely with the Chinese sovereign

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Signs of aging in bull market

As the new year approaches, investors worry whether businesses can deliver the goods

By E. S. Browning

On the surface, things look pretty good in stock land, with indexes on the rise. But when analysts check the engine behind the recent growth, they see things that make them worry.

When stock advances are young and strong, a wide variety of stocks join in, led by smaller stocks that investors hope will respond quickly to an economic turnaround.

Now some of the early gainers are running out of steam, which can be a sign that the bull market is aging.

Investors who track indicators like these don't expect significant declines anytime soon, but they are watching for problems next year.

As the Dow Jones Industrial Average and Standard & Poor's 500-stock index, both big-stock indexes, pushed to new highs in the past week, indexes of small and medium-sized stocks haven't kept pace. They have remained below their mid-October highs.

Financial and energy stocks, leaders in the recent rebound, also haven't yet surpassed mid-October highs. Technology stocks, another group of former leaders, have managed only small gains beyond October levels. Stocks that depend on strong economic growth seem to be losing favor, as investors shift toward health-care and telecommunications stocks they consider safer. That shift toward safety is another sign of weakening enthusiasm.

Despite the U.S. market's strong gains, investors have taken $14 billion out of U.S. stock funds since Oct. 21 alone, according to the Investment Company Institute, a mutual-fund trade group.

Many U.S. pension funds are cutting back on stock holdings, leading some analysts to conclude that market gains are being powered by fast-money investors such as hedge funds and proprietary trading desks of big brokerage firms.

With retail investors and pension funds holding back, stock-trading volume has fallen off sharply. That suggests that stock demand could be softening, despite the recent gains.

Trading in New York Stock Exchange stocks has averaged 5.6 billion shares a day this year. In the past three weeks, it has surpassed 4.7 billion shares only once, this past Friday, when the market soared then tumbled after surprisingly good jobs data, and total trading hit 6.2 billion.

The Dow has risen 59% since March 9, one of the strongest short-term performances in its history. It finished last week less than 100 points from its 14-month high of 10471.58. But Friday's weak performance on good news, which left the Dow up 22.75 points at 10388.90, was just one more sign that the market engine isn't firing on all cylinders.

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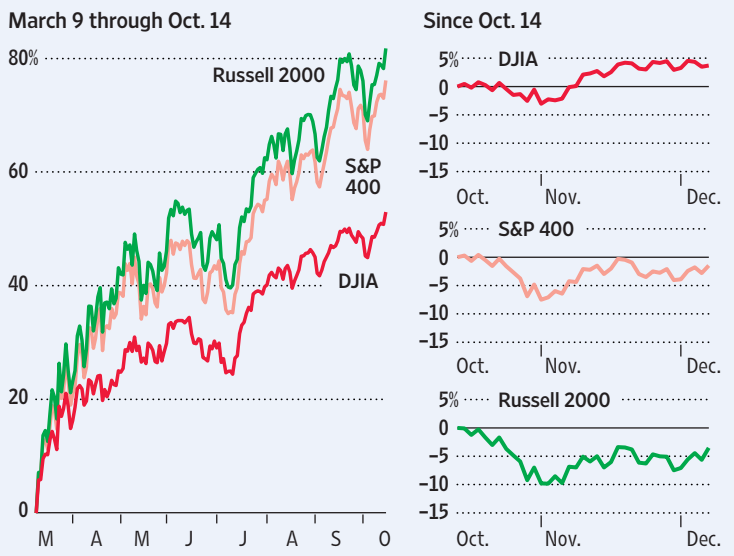
Tortoise and hare

Small and medium-sized stocks outpaced larger stocks from the market's trough on March 9 through Oct. 14. Since then, the rabbits have tired and bigger stocks have taken over the lead, which can be a sign of a maturing bull market.



Source: WSJ Market Data Group

GM shakes up management ranks

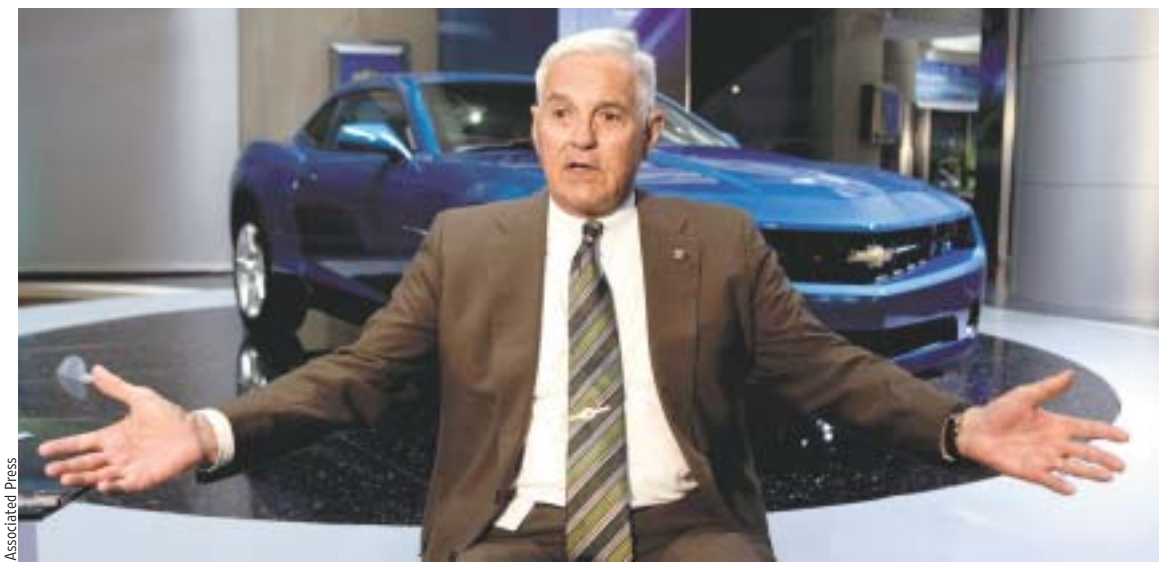
By Sharon Terlep And John D. Stoll

Just three days after taking the helm at **General Motors** Co., Chairman Edward E. Whitacre Jr. jolted the auto maker's plodding bureaucracy, moving a new generation of executives into senior posts in a sweeping management shake-up.

The overhaul is part of a drive by Mr. Whitacre to accelerate decision-making and turn GM into a leaner, nimbler company. It also reflects the concerns that GM directors had about the ability of former Chief Executive Frederick "Fritz" Henderson to impose dramatic change on the company's culture.

Mr. Henderson, a 25-year GM veteran, resigned Tuesday under pressure from the board. Mr. Whitacre, who was brought in as chairman in the summer as part of the company's bankruptcy reorganization, took over as interim CEO.

On Friday, Mr. Whitacre named a new head of GM's North American operations, Mark Reuss, 46 years old, who had only recently been put in charge of the company's engineering. Susan E. Docherty, 47, who had been named head of North American sales by Mr. Henderson, was given additional responsibilities for marketing, service and communications in the region. Two other executives were given new posts in GM's international operations.



Associated Press

Robert Lutz, 77 years old, canceled his retirement plans to run marketing at GM after a high-profile run as the company's product chief. In his new job, Mr. Lutz will serve as a high-level adviser on design and product development.

Robert Lutz, 77, the veteran auto guru who Mr. Henderson had put in charge of marketing, has relinquished those duties and will now serve as vice chairman advising Mr. Whitacre on vehicle design and development.

Steve Girsky, one of the directors who has pushed for better results, will also serve as an adviser to Mr. Whitacre, people familiar with the matter said. A former auto analyst at investment bank Morgan Stanley, Mr. Girsky pushed GM to rethink Mr. Henderson's plan to sell its Opel unit, and GM eventually backed out of the sale at the last minute. Mr. Girsky has also clashed with Mr. Lutz over the company's direction, these people said.

Mr. Whitacre, said one person close to the chairman, "really, really strongly thinks we need to get younger people in key positions."

Although GM has begun to look

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Samsung Heavy wins ship order

Investors envision $1.1 billion vessel as floating luxury residence cruising to events world-wide

By Evan Ramstad

SEOUL—Investors led by a U.S. firm placed an order with a South Korean shipbuilder for a $1.1 billion ship conceived as a floating luxury residence that will cruise the world visiting events like the Cannes Film Festival, the Sydney New Year's Eve celebration and Carnaval in Rio de Janeiro.

The order, announced last week by **Utopia Residences** Co., of Beverly Hills, Calif., marks the first time a cruise ship will be built by **Samsung Heavy Industries** Co., the world's second-largest shipbuilder by order value after **Hyundai Heavy Industries** Inc.

It will be just the third passenger ship built by Samsung Heavy and is a sign that South Korea's shipbuilding firms—which have dominated the business of major oceangoing container ships, bulk carriers and energy platforms for a decade—are now moving into construction of more complex ships that have long been made by European builders.

The 105,000-ton ship, to be called Utopia, will have 200 private residences, a 204-room hotel, a casino, spa, theater, night club, swimming pools and restaurants. Samsung Heavy will begin the building process in 2012, with a delivery target in 2013.

The ship is roughly half the 225,282-ton volume of the world's largest cruise ship, **Royal Caribbean Cruises** Ltd.'s Oasis of the Seas, which began its maiden voyage this weekend. While that ship will stick to weeklong cruises from Florida, the Utopia will be on a "perpetual tour," principally to ports in Asia, Europe and South America.

Utopia Residences

A concept photo of the Utopia, which is expected to carry passengers to such events as the Cannes Film Festival.

"The ship will attend the world's greatest cultural and sports events," David Robb, chairman of Utopia, said in a phone interview. He listed annual events like the Monte Carlo Grand Prix and others like the Olympics as likely destinations.

The investors in the ship are led by **Frontier Group**, a St. Louis-based private-equity firm that Mr. Robb helped start with Sanford McDonnell, former chief executive of McDonnell Douglas Co., and Frank C. Carlucci, former U.S. defense secretary.

The firm built a showroom in Beverly Hills with full-scale interiors of the residences that will be built on Utopia, which range in size from 130 to 613 square meters.

For Samsung Heavy, the order is likely to be the highlight of one of the worst years in the shipbuilding industry. The company received only one other order this year, which was placed in January, for a $680 million floating production and storage vessel. Before the global recession hit last year, the company's executives had set a goal of receiving $10 billion in orders this year.

Globally, only 337 new vessels have been ordered this year, down from 2,456 for all of 2008, according to Clarkson PLC, the London-based shipping brokerage and research firm. Because lead times are so long in the shipbuilding industry, the sharp plunge in orders will be felt in shipyards in 2012 and later.

At the end of September, the order backlog at Samsung Heavy amounted to $41.5 billion, enough to fill its drydocks into 2012. The company is counting on an order pickup next year and in 2011 to avoid an abrupt drop in activity.

Analysts expect many firms to reschedule delivery of some vessels that are due in 2011 and 2012.

China Pacific finally moves toward IPO

By Amy Or

HONG KONG—**China Pacific Insurance (Group)** Co., in which a consortium headed by U.S. private-equity fund **Carlyle Group** LP has a 17.3% stake, is seeking to raise as much as US$3.82 billion in a long-delayed Hong Kong initial public offering, a person familiar with the situation said Sunday.

The IPO, delayed for more than a year and a half because of adverse market conditions, paves the way for Carlyle to exit its most profitable investment in China.

In the base deal, China Pacific, the nation's third-largest life insurer by premiums, is selling 861.3 million shares for 26.80 to 30.10 Hong Kong dollars (US$3.46 to US$3.88) to raise as much as US$3.32 billion, the person said. The indicative price range translates to a 2% to 13% discount to its Shanghai-listed Class A shares, which closed at 27.12 yuan (US$3.97) Friday.

The insurer has the option to increase the deal size by 15% to raise a maximum US$3.82 billion, this person said.

Six so-called cornerstone investors have committed to subscribe to China Pacific shares valued at a total of US$395 million. They are German insurer **Allianz** SE, Japanese insurer **Mitsui Sumitomo Insurance Group Holdings** Inc., **Regal Real Estate Investment Trust** Chairman Lo yuk-sui, Chinese state-owned agricultural trading and processing company China National Cereals, **Oils & Food Stuffs** Corp., midsize Hong Kong lender **Dah Sing Banking Group** Ltd. and **China Overseas Land & Investment** Ltd.

Proceeds from the IPO will bulk up the insurer's capital. They will also boost the solvency ratio of its life-insurance business to more than 300% from 224% by the end of June, an SWS Research Co. analyst said in a recent research note.

The Carlyle-led consortium paid US$410 million for the 17.3% stake in China Pacific four years ago. The value of the investment has since risen to US$5.16 billion, based on its A-share closing price Friday.

The Carlyle-led consortium's holdings in China Pacific are still subject to a lockup period that will expire at the end of next year. But the consortium will be able to convert its entire stake into Class H shares when the insurer lists in Hong Kong, according to the Chinese securities regulator.

Chevron to supply Tepco with Wheatstone LNG

By David Winning

SYDNEY—**Chevron** Corp. said Saturday it has a preliminary agreement to sell liquefied natural gas from its Wheatstone project offshore Australia to Japan, the latest in a string of energy-supply deals between oil majors and customers in North Asia.

Chevron has signed an agreement with **Tokyo Electric Power** Co., known as Tepco, to deliver 4.1 million metric tons of LNG annually for as many as 20 years. That is equivalent to more than 20% of Tepco's annual consumption of LNG.

Tepco also plans to acquire 15% of Chevron's share in the Wheatstone gas-field licenses and an 11.25% interest in the onshore LNG terminal. Financial terms weren't disclosed.

Oil companies such as Chevron, **Exxon Mobil** Corp. and **Royal Dutch Shell** PLC are betting big on LNG to capitalize on what they expect will be a surge in demand for cleaner-burning fuels. Australia's stable political environment, substantial gas reserves and proximity to fast-growing Asian economies make it an attractive place to invest in, particularly with U.S. gas prices low because of a flood of domestic gas supply into the U.S. market.

Chevron Chairman and Chief Executive David O'Reilly said in October that Chevron is investing so much in Australia that by 2020 it could be as big a profit-driver for Chevron as its U.S. operations are now. Chevron's agreement with Tepco comes just days after Exxon concluded a binding sales-and-purchase agreement with China Petroleum & Chemical Corp. for two million tons of LNG a year from the rival PNG LNG project in Papua New Guinea.

Chevron is also the operator of the 43 billion Australian dollar (US$39 billion) Gorgon project offshore Western Australia state, which recently won the green light from Australian regulators to proceed. It plans to ship LNG from Gorgon to customers in Japan, South Korea and China.

"Tepco is among the most experienced LNG buyers in the world. Their commitment to secure long-term LNG supplies from Wheatstone is a strong demonstration of their confidence in Chevron," John Gass, president of Chevron Global Gas, said in a statement.

The first phase of the Wheatstone project will have an annual processing capacity of 8.6 million tons of LNG and will include a domestic gas plant. A final investment decision is expected in 2011.

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Corrections & Amplifications

Vietnam's VN index closed Wednesday at 499.14. A chart accompanying a World News article Thursday about the country's economy incorrectly said the index closed at 499.10.

SAIC and GM reshape partnership

By Norihiko Shirouzu And Patricia Jiayi Ho

BEIJING—**General Motors** Co. announced plans Friday to cede control of its key Chinese joint venture to partner **SAIC Motor** Corp. as the partners push into India and other emerging markets.

SAIC's stake in **Shanghai General Motors** Corp. will rise to 51% from 50% as China is overtaking the U.S. as the world's largest auto market, though GM described the move as a technicality.

The Chinese group will have the right to approve budgets, strategy and senior management appointments.

"In actual fact we operate that way already, so that's not a significant change," said Nick Reilly, who stepped aside as head of GM's international operations Friday to run its European business.

GM said the transfer was necessary to help SAIC consolidate earnings from the Shanghai GM joint venture, having been previously barred from doing so as a 50-50 partner under local financial regulations.

Reuters

A customer looks at a Buick at a GM dealership in Shanghai last week.

In return for the move, Mr. Reilly indicated he is hopeful GM will be allowed to gain a higher stake in the producer of Wuling microminivans. That joint venture is jointly owned by GM, SAIC and the government of Guangxi province in southwestern China.

GM currently has a 34% stake in the venture, while SAIC owns 51% and Guangxi the remainder.

"We don't have anything to announce on that, but SAIC has been very supportive in discussions around that," Mr. Reilly said, adding that GM also has been "able to achieve some funding for other activities [in China] from the Chinese banking sector, which would have been difficult to do on our own."

The expansion of the Shanghai General Motors venture outside China involves the creation of a 50-50 joint-investment company in Hong Kong, with a joint-venture unit in India expected to follow early next year.

In India, GM and SAIC plan to produce small cars from GM's product portfolio in China as part of an effort to boost the competitiveness of GM's business.

GM declined to provide financial details. But Mr. Reilly said GM is contributing physical assets it already has in India, including manufacturing facilities and a sales network, to the Indian joint venture, while SAIC is to invest US$300 million to US$350 million in cash and other contributions.

Mr. Reilly said the new India venture is targeting annual sales of 225,000 units by 2012. GM's sales in India last year rose 9.5% to 65,700 vehicles, according to the Society of Indian Automobile Manufacturers.

Separately, **Suzuki Motor** Corp. said it will sell its entire stake in a 50-50 Canadian joint venture to GM.

The Japanese car maker said it would sell its 50% stake in Ontario-based **CAMI Automotive** Inc. after a request from the U.S. car maker, ending Suzuki's more than 20-year involvement in the project.

The dissolution means that GM has wound up most of its longstanding joint ventures with Japanese auto makers. An engine production project with truck maker **Isuzu Motors** Ltd. is now the remaining exception.

GM is rapidly expanding capacity at CAMI, ramping up working hours with the addition of a third shift and spending 90 million Canadian dollars (US$85 million) on the plant's body shop to increase capacity by an additional 40,000 vehicles annually, GM Canada said.

A Suzuki spokesman said the timing of the share sale hasn't been decided and declined to comment on the value of the transaction.

GM overhauls its top ranks

Continued from page 23

for an executive recruiting firm to help find a permanent CEO, Mr. Whitacre said earlier this week that he may hold the CEO job for as long as a year.

Mr. Henderson, who was CEO for only eight months, had instituted his own reorganization of GM's executive ranks, but Mr. Whitacre and other board members wanted to see faster progress toward returning to profitability, along with a more aggressive business plan designed to increase revenue, boost profit margins and lift market share.

They also wanted more dramatic cultural change. Over decades GM has built up a complex corporate bureaucracy in which even minor decisions have been debated by multiple committees and few executives have been held directly accountable for poor performance.

Mr. Whitacre, a former chief executive of AT&T, drew up the new management organization in about four hours, the person close to the chairman said.

Internally, the 68-year-old Texan has been pushing managers to keep their focus on how to sell more cars and trucks, and to stop putting time into following the old bureaucratic channels, people familiar with the matter said.

Steve Cook, who owns Cook Chevrolet Buick Inc. in Vassar, Mich., said he likes the idea of putting the emphasis on selling cars now.

"If I were to tell you how most dealers feel in all this, it's that we're at a point where we wish they would focus on selling the cars they have today to today's customers," he said.

For the past few years, GM has spent millions of dollars marketing the battery-powered Chevrolet Volt, which won't arrive until late next year and will be available only in small quantities.

"We're tired of talking about Volts in 2011," Mr. Cook said. "We want to sell Malibus, Impalas and pickup trucks in December."

Mr. Reuss exemplifies the type of younger executive Mr. Whitacre wants to empower to buck GM's old ways. The son of Lloyd Reuss, a former senior GM executive, he made waves recently when he spoke up to say the quality of GM vehicles has to improve. For the past several years, most GM executives have been saying GM's quality is now good enough but customers haven't taken enough notice.

In an employee meeting Friday that was broadcast to GM locations around the globe, Mr. Whitacre said employees are expected to "step up" and take more responsibility, according to a person who watched the 45-minute broadcast.

Earlier, in an employee message, Mr. Whitacre said there are no plans for further layoffs at the sharply downsized company.

As part of the management reshuffle, Tim Lee, 58, formerly head of manufacturing and labor relations, takes over GM's international operations in Asia, Latin America, Africa and the Middle East.

Like Mr. Reuss, he is considered a blunt and ambitious executive, people who have worked with him say, and he is seen as having solid ties with the United Auto Workers union and many connections in the company after years of climbing the ranks.

Nick Reilly, 59, will be responsible for Europe, including the restructuring of GM's Opel unit. Previously, Mr. Reilly had been based in Shanghai heading all of GM's units outside of North America.

On Friday, Mr. Reilly spoke to worker and union representatives in Germany and told reporters GM has finished hammering out its European restructuring plan.

GM expects its European operations to post a $3 billion pretax loss this year and a loss of $3.2 billion next year before returning to profitability in 2012, according to an outline of the restructuring plan that was reviewed by Dow Jones Newswires. GM plans to eliminate 8,313 jobs in Europe and close a plant in Antwerp, Belgium, that employs 2,300 people, the outline says.

—Neal E. Boudette contributed to this article.

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Rio, BHP sign iron-ore deal

By Jeffrey Sparshott

LONDON—Anglo-Australian miners **Rio Tinto** and **BHP Billiton** signed a binding agreement to combine their western Australian iron-ore operations and said they hope to have the joint venture completed by the second half.

The two also filed submissions with the European Commission and the Australian Competition and Consumer Commission seeking approval for the deal, which is opposed by steelmakers.

Rio Tinto and BHP, the No. 2 and 3 producers of seaborne iron ore, behind Brazil's Vale SA, in June agreed in principle to establish the joint venture.

"With the history of both companies' attempts to join together these two world-class iron-ore operations in [western Australia] at various times, this deal has effectively been more than a decade in the making," BHP Chief Executive Marius Kloppers said in a written statement Saturday.

AFP/Getty Images

An iron-ore loader awaits a carrier at Rio Tinto's Cape Lambert shipping terminal on West Australia's Pilbara coast.

BHP six months ago said it would pay Rio Tinto $5.8 billion to boost its stake in the venture to 50% from 45%. The companies hope to generate $10 billion in cost savings and other benefits in part through shorter rail hauls, cutting overhead and more efficient use of port capacity.

Approval by the European Commission looms as the biggest potential hurdle to the deal.

European steelmakers last month said the joint venture would result in the production of less iron ore at higher prices and lower quality, and asked the European Union's competition regulator to investigate the pact.

Rio Tinto and BHP Saturday said they expect the commission will review the agreement as a joint venture, rather than as a merger, to determine if it restricts competition.

European regulators last year expressed concern that a merger of BHP and Rio Tinto would impede competition in iron-ore markets. But the companies have said they are confident the new agreement could be structured to pass regulatory muster.

BHP dropped a hostile takeover attempt of Rio Tinto last year amid collapses in stock and commodity markets. The more narrow joint venture emerged six months later as Rio sought to pay off debt.

The companies say the combination will make their operations more efficient as international markets grow.

Singapore, China funds find lessons in losses

Continued from page 23

fund say criticism of that investment within China could have been a blessing in disguise for CIC's longer-term success.

Rather than cutting new deals, CIC's management spent most of 2008 focused on recruiting staff and picking up advice from investment-industry luminaries courting the fund as markets spiraled downward. CIC also built out a multiple-asset-class strategy to deploy its cash. CIC may not have a perfect system, but it is improved.

Meanwhile, CIC has brought in new talent, including Bill Lu, a former executive at U.S. hedge fund Tudor Investment Corp. recently recruited to help run CIC's hedge-fund program. Good talent wasn't available in the heady markets of 2007 when CIC was initially set up to manage a $200 billion chunk of China's foreign-exchange reserves.

Ho Ching

Now, more Chinese financiers are willing to take jobs with CIC because it gives them an opportunity to manage a vast portfolio, and because many U.S. hedge funds have lost both the luster of their brands and their ability to pay large salaries to staff.

A stronger investing team and better structure has positioned CIC to be perhaps the most aggressive investor in the world this year. CIC has deployed cash at a rapid clip, putting at least $40 billion this year into deals linked to cyclical businesses, particularly commodities.

It is also putting money into Chinese companies and backing global hedge funds and private-equity firms at a time when many of those firms are cash-starved and willing to offer attractive terms to new investors.

Oaktree's Mr. Marks is one such beneficiary. His firm has received a roughly $1 billion commitment from CIC to manage, according to people familiar with the situation. Many question whether CIC is doing enough due diligence to wisely invest all that money, but most observers agree its timing and investment focus is smart.

Singapore's state-owned investors, **Temasek Holdings** Pte. Ltd. and **Government of Singapore Investment Corp.**, are taking in lessons of their own. Temasek has brought in more non-Singaporean professionals to improve its global savvy, refocused on markets it knows best in Asia, and begun a shift to a multiple-strategy-investing approach. GIC, the city-state's biggest fund, also shook up its leadership, although it has been far less bold in bringing in outsiders.

Temasek made perhaps the boldest move in the aftermath of its sour bets on Barclays PLC and Merrill Lynch, though one that ultimately didn't work out. It hired former BHP Billiton Chief Executive Charles "Chip" Goodyear to succeed Ho Ching, the wife of Singapore's prime minister, as Temasek's top boss and provide fresh blood to an organization whose management and board are dominated by Singaporeans.

Mr. Goodyear, an American with more experience in commodities than in the finance industry, ended up parting ways with Temasek during his transition over disagreements on strategy, suggesting that change at the fund will have to come more incrementally.

Still, Temasek has made some smart moves. It has refocused on Asian markets, making profitable investments in many of its portfolio companies' rights issues and stepping up its bets on China's state banks when many Western strategic partners sold out near the bottom of global markets to raise cash.

Temasek, which considers itself a state-owned investment firm rather than a sovereign-wealth fund, has also looked at diversifying its investment scope. It has traditionally stuck to equity investments and private-equity-fund commitments. Now it is looking more at debt investments and debt-fund commitments.

It is also working on a plan, dubbed "Sea Town" internally, to create a co-investment vehicle with public investors. Those shifts will all make Temasek's portfolio less closely linked to the gyrations of markets and the firm a more diversified alternative asset manager.

One question remains: Can sovereign funds institutionalize these lessons? Hints of a global recovery make it tempting to revert to the old status quo. Sovereign funds will need to keep their humility and stay within their circle of competence—deals where they have an advantage other than their big balance sheets.

That includes a better vantage point than most investors to see where Asia's resilient growth will create winners with sustainable profits. They also need to steer clear of trophy assets that offer more personal rewards than financial.

As Oaktree's Mr. Marks puts it: Sovereign-wealth funds are becoming wiser about their approach to investing, "at least until people forget the lessons of the cycle."

Apple's music strategy may expand with Lala

By Ethan Smith
And Yukari Iwatani Kane

Apple Inc. acquired online-music company **Lala Media** Inc., possibly signaling an expansion of the computer giant's music strategy.

Terms of the deal couldn't be learned.

"Apple buys smaller technology companies from time to time and we generally do not comment on our purpose or plan." said Apple spokesman Steve Dowling.

Neither Lala's spokesman, John Kuch, nor its chief executive, Bill Nguyen, could be reached. The Apple-Lala talks were reported earlier by the Bloomberg news service.

Palo Alto, Calif.,-based Lala lets users pay 10 cents for permanent access to "Web songs" that can be streamed via a Web browser but can't be downloaded to a user's hard drive or to portable players like iPods.

But the three-year-old company is developing an iPhone app that would greatly expand the service's reach, by making Lala Web songs available on the go via the phone's wireless Internet connection. Lala started life as a site that facilitated trading in used CDs, but soon after launching the company began pursuing various online music strategies before hitting on the Web-song approach in 2008.

It isn't clear how Lala would fit into Apple's music strategy, which has so far focused exclusively on selling downloads of songs for around $1 and albums for around $10.

Still, many in the music and technology industries believe Apple's music strategy needs to evolve to maintain its dominance. The company could either find a way to adapt Lala's Web song offerings or it could incorporate the start-up's technology in a subscription service of some kind.

Apple's iTunes Store still dwarfs all competitors, but lately it has been facing increasing competition from other providers like Pandora, Lala and Spotify.

Competition is growing. Among the latest moves, the founders of Skype said they were working on a new digital music start-up called Rdio, while BskyB launched a service called Sky Songs and Mog Inc. announced a $5-a-month subscription music service.

Bidders for Cadbury Are Warned by U.K.

By Alistair MacDonald
And Ilan Brat

As **Kraft Foods** Inc. formalized its offer for **Cadbury** PLC, the U.K.'s top business minister warned that any bidder for the British confectioner could face government opposition if it is seen as trying to make a "quick buck" on the company.

Peter Mandelson, Britain's business secretary, made the remarks at a trade conference in Birmingham, Cadbury's birthplace. He said Cadbury bidders would have to respect the company's "work force and the heritage and quality."

Lord Mandelson's comments are noteworthy in part because, for many years, he has been a leading international proponent of open markets, a stance that has softened in recent months amid Britain's deep recession.

In September, he told The Wall Street Journal foreign ownership of some British companies may in the long term "disadvantage" a country that has for decades welcomed overseas takeovers. His remarks suggested increasing scrutiny in the U.K. of a decades-long mantra that foreign ownership is neutral for domestic companies.

Lord Mandelson's comments came as Kraft said on its Web site that it would maintain the terms of its offer for Cadbury.

Kraft, of Northfield, Ill., said it would offer Cadbury shareholders about $16.3 billion in cash and stock, essentially the same as its Nov. 9 offer. Cadbury's management has rejected Kraft's advances so far.

Cadbury Chairman Roger Carr has called the terms "derisory." Both U.S. chocolate giant Hershey Co. and Italian confectioner Ferrero SpA are mulling bids for Cadbury.

In Birmingham, Lord Mandelson said that it was not his place to block Cadbury bids. But he said any attempt to "come here and turn round a short-term profit" would get the U.K. government's attention.

"We expect a genuine commitment to be made to the interests and corporate governance and to British companies rather than those things being run rough shod by those who have a more narrow and short-term interest," he said, according to a transcript of his remarks.

Getty Images

Peter Mandelson, U.K. business secretary, warned against a 'quick buck.'

Japan market told to pay

Mizuho Securities is awarded $121.3 million for botched order

By Ayai Tomisawa

TOKYO—The **Tokyo Stock Exchange** was ordered Friday to pay $121.3 million in damages to **Mizuho Securities** Co. for losses the brokerage house incurred four years ago in a misstated order that roiled Japanese markets.

The exchange said it might appeal the Tokyo District Court's ruling, saying the 10.7 billion yen court decision could result in the TSE posting a loss for a second year in a row. The exchange is "considering many options," said Atsushi Saito, its president.

The TSE, operator of Asia's largest stock exchange by market capitalization, said it plans to pay the whole amount and post it as a special loss on this fiscal year's earnings, even if decides to appeal the ruling, so that it can avoid interest charges.

"If we appeal and the court decides to lower the fine later, we will get the differences back," a TSE spokesman said. The exchange has two weeks to decide whether to appeal.

Mizuho Financial Group Inc.'s brokerage unit sued the TSE in October 2006, seeking 41.5 billion yen in damages. Mizuho said the TSE's computer system failed to respond to a cancellation order for a large number of erroneous sell orders it placed on shares in J-Com Holdings Co. the previous year.

Bloomberg News

The Tokyo Stock Exchange could post a second yearly loss in a row because of the damages award.

Mizuho Securities mistakenly placed an order to sell 610,000 shares of the company for one yen each, instead of one share for 610,000 yen. The order—for more than 42 times the number of shares that J-Com had outstanding—sent shares of the tiny company plummeting. Mizuho suffered a loss at the time of about $233 million.

Mizuho had argued that the incident raises questions about the exchange's order-processing because it accepted an order that was clearly erroneous. The incident followed earlier technical issues at the exchange, which was moving to keep up with other, rapidly modernizing exchanges. The missteps contributed to the resignation of the exchange's then-president later that year.

"How the order was handled by our system is being discussed, but we should also be discussing the genesis of the mistake itself. I am not comfortable with the decision that the TSE is 70% responsible," Mr. Saito said, adding that the responsibility of the mistake caused by a trader is being overlooked.

Due to an upturn in the stock market since hitting year lows in March, the TSE had been slated to a record profit this fiscal year, but the ruling is likely to change that. "I can't deny the possibility our exchange will post losses this fiscal year," Mr. Saito said.

—Juro Osawa contributed to this article.

Four Chinese offerings compete with U.S. firm

By Lynn Cowan

An American car auctioneer will vie with a quartet of Chinese companies for U.S. IPO investors' attention this week.

It could be a difficult competition: **KAR Auction Services** Inc..the second-largest North American used- and salvaged-car auctioneer, plans to launch an initial public offering on the New York Stock Exchange on Friday under the symbol KAR.

The auction company is facing off against four Chinese firms varying from a telecom software specialist to a chain of radiology centers.

The four Chinese companies are profitable and have seen their revenue increase a minimum of 30% and doubling in some cases.

The two most attractive deals are slated for Friday from Nanjing-based telecom software and services company **Linkage Technologies International Holdings** Ltd. and radiology-center chain **Concord Medical Services Holdings** Ltd., which is based in Beijing. The two are set to trade on the NYSE under the symbols BOSS and CCM, respectively.

Linkage Technologies makes core operating systems for all three telecom operators in China—China Mobile Ltd., China Telecom Corp. and China Unicom Ltd. Linkage, which began operating in 1997, saw its revenue and net income more than double to $112 million and $25 million in the first nine months of the year, compared to the same period of 2008.

Concord Medical says it operates the largest network of radiotherapy and diagnostic-imaging centers in China at a time when the population's cancer rate is rising.

The company saw its total net revenue and net income in the first three quarters double to $30 million and $13 million, respectively, compared with the same period in 2008.

Scheduled to debut on the NYSE under the symbol TRO on Thursday is **Trony Solar Holdings** Co.

Based in Shenzhen, Trony Solar specializes in thin-film solar modules, which cost less to make than traditional solar panels. But thin-film solar is considered less efficient than traditional solar panels and requires more space to install, both of which can cause total installation costs to eclipse traditional panels.

One other deal expected Thursday is from **China Nuokang**, which is planning to list on the Nasdaq under the symbol NKBP. With revenue up 30% and profits essentially flat in the first nine months of the year, China Nuokang is probably the weakest offering; it specializes in blood and cardiovascular treatments, and a single blood-clotting product accounts for 94% of its total net revenue.

In Hong Kong, **China Longyuan Power Group** Corp. raised US$2.2 billion by pricing the share sale at the top end of the range, a person familiar with the situation Friday.

Rajaratnam was probed in '90s in case involving Roomy Khan

By Justin Scheck, and Robert A. Guth

U.S. prosecutors investigated hedge-fund titan Raj Rajaratnam on suspicions of insider trading more than a decade before Mr. Rajaratnam, the head of **Galleon Group**, was charged with securities fraud on Oct. 16, according to legal filings reviewed by The Wall Street Journal.

Prosecutors, however, were unable to prove their suspicions, which centered on information stolen from chip maker **Intel** Corp., according to the filings.

Federal prosecutors in October arrested Mr. Rajaratnam and others in what they described as a huge insider-trading scheme. Mr. Rajarantam denies the charges and is fighting them.

The probe was described in a sentencing recommendation involving an Intel employee who pled guilty to wire-fraud charges in 2001. The former Intel employee, Roomy Khan, is also known as "Tipper A" in the government's current insider-trading case against Mr. Rajaratnam. Several media organizations, including The Wall Street Journal petitioned a California federal court to unseal the documents, which it did this past week.

Ms. Khan is a cooperating witness in the government's current case and has agreed to plead guilty to insider trading, conspiracy and obstruction of justice charges in hopes of a lighter sentence. As part of her cooperation, Ms. Khan agreed to consensual recordings of her conversations with Mr. Rajaratnam, evidence that the government will attempt to use in its case against Mr. Rajaratnam.

Ms. Khan's lawyer didn't return calls seeking comment. Intel spokesman Chuck Mulloy said, "We do take the treatment of insider information very seriously." Mr. Rajaratnam denies that he received and/or traded on the basis of material nonpublic information, a spokesman said.

The document gives one example of an insider providing nonpublic information to Mr. Rajaratnam, a situation that prosecutors allege he repeated with other people, involving companies including **Advanced Micro Devices** Inc. and **Google** Inc.

The earlier investigation into Mr. Rajaratnam stemmed from suspicions that arose in the 1990s within microchip giant Intel that Mr. Rajaratnam, then a stock analyst with investment bank **Needham** & Co., was receiving tips from an Intel insider. Mr. Rajaratnam left Needham in late 1996 to form Galleon.

"Intel became concerned that its financial information was being leaked because an analyst at Needham, Rajeswary Rajaratnam, was predicting Intel's revenue with extreme accuracy," prosecutors wrote in a filing unsealed Thursday.

As of 2002, when the document was filed, prosecutors wrote that they were continuing their probe of Mr. Rajaratnam. "After an exhaustive analysis of the labyrinth of accounts associated with Galleon, however, the SEC/FBI has not been able to show that any Galleon trade resulted from Rajaratnam's possession of the information stolen for him by Kahn [sic] from Intel."

—Susan Pulliam and Ben Charny contributed to this article.

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Solid demand seen for Treasury sales

Payroll data lifts yields; a lure for buyers

By Min Zeng

Friday's selloff in Treasurys after a surprisingly encouraging November payrolls report could be a blessing in disguise as the higher yields should ensure good demand for the government's $74 billion debt sales this week.

Yields, which rise when bond prices fall, hit their highest levels since early November. That should attract buyers to the debt sale. Demand should also benefit from year-end account closing, when investors such as hedge funds, banks and mutual funds switch to Treasurys to improve their balance sheets.

U.S. CREDIT MARKETS

The auctions will be "digestible" thanks to the rise in yields, said Steve Rodosky, head of Treasury and derivatives trading at bond fund giant Pacific Investment Management Co. in Newport Beach, Calif.

The U.S. government has this year sold more than $1 trillion in debt. Yet the flood of Treasurys has yet to stunt demand. Foreign central banks, U.S. households, domestic banks and mutual funds have been consistent buyers, allowing the government to fund its widening budget shortfalls at relatively low cost.

Helping to keep demand strong for government debt are the Federal Reserve's near-zero interest rates, put in place to support the recovery of the economy and the financial system. That has encouraged investors to borrow cheaply to invest in a broad range of assets, including longer-dated Treasurys, to earn a higher yield.

Yields on short-dated Treasurys have been anchored as they are the most sensitive to changes in the official rate outlook. With the Fed standing pat, the two-year yield has traded below 1% for most of 2009. Friday's encouraging payroll data buoyed speculation that the Fed may tighten interest rates sooner than expected. Federal Reserve officials, however, were more cautious.

Charles Plosser, president of the Federal Reserve Bank of Philadelphia, said the jobs numbers are very encouraging. "But I'd emphasize one month does not a trend make," he added.

"The market is really going to need confirmation that the labor market is undergoing the degree of repair the payrolls report suggests," said Chris Sullivan, who oversees $1.55 billion as chief investment officer in New York at the United Nations Federal Credit Union.

The Treasury will sell $40 billion of three-year notes Tuesday, $21 billion more of last month's 10-year notes Wednesday, and another $13 billion of last month's 30-year bonds Thursday.

Dollar comes to a crossroads after jobs news

By Bradley Davis

The dollar could be at a turning point after a promising November labor-market report boosted expectations that ultra-low interest rates in the U.S. could rise sooner than expected.

The greenback gained around 1.5% against the euro Friday and soared 2.8% against the yen, posting its biggest gain in 2009 against the Japanese currency. But for the dollar to hold on to and extend these gains, the data will have to confirm that a sustainable recovery is under way.

CURRENCY MARKETS

"The challenge is really whether this is a one-day wonder, or something different," said Alan Ruskin, global head of currency strategy for RBS Global Banking and Markets in Greenwich, Conn.

"All of the leading indicators still point to the recovery taking hold," Mr. Ruskin said. "It does look like we're onto something."

The dollar's gains Friday defied trading patterns in place since the global credit crunch began to ease earlier this year. As the Federal Reserve and other central banks flooded the global economy with cash, investors were emboldened to move out of low-yielding dollars into riskier currencies in a search for better returns.

Better global economic news typically strengthened that trend, but not so Friday. Riskier currencies, such as the Australian dollar, took a beating.

Analysts expect the dollar to post further gains this week. The euro should trade between $1.48 and $1.49, but if it drops below $1.48, it could "trigger aggressive selling" toward $1.4625, said Andrew Chaveriat, a technical strategist at BNP Paribas in New York.

The dollar, this week should trade between 90 yen and 92.35 yen, analysts said.

Late Friday in New York, the euro was at $1.4846 from $1.5074 late Thursday. The dollar was at 90.51 yen from 88.21 yen.

The U.K. pound was at $1.6449 from $1.6560. The dollar was at 1.0170 Swiss francs from 0.9998 franc late Thursday.

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Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
NS	**Gottex Tiger Fund Limited (AUD)**	Gottex Fund Management	AUD	Cayman Isl	**42.63**	48.22	-13.72	NS
NS	**Foreign Stock Market Fund**	HS Mgmt	USD	United States	**38.53**	47.11	-11.37	NS
NS	**Generali Yield Enhancer**	Generali Investimenti Alternativi SGRSpA	EUR	Italy	**31.96**	43.81	-4.79	3.32
NS	**Hedge Invest Sector Specist Acc**	Hedge Investor Services Inc	EUR	Italy	**23.51**	32.76	-2.70	8.80
3	**Groupama FP Flexible Allocation**	Groupama Fund Pickers - GFP	EUR	France	**19.00**	32.67	1.83	NS
NS	**Hedge Invest Multi-Strategy Acc**	Hedge Investor Services Inc	EUR	Italy	**23.20**	32.07	0.01	7.28
NS	**Hedge Invest Opportunity Fd Acc**	Hedge Investor Services Inc	EUR	Italy	**23.19**	29.92	-4.92	6.82
NS	**BIM Equity Arbitrage Europe**	BIM Alternative Investments SGR S.p.A.	EUR	Italy	**15.60**	29.24	1.83	6.32
NS	**HDF Capital Appreciat. A EUR**	HDF Finance	EUR	France	**17.68**	28.88	-2.93	6.06
NS	**Berens Global Value Fund Ltd**	Berens Capital, LLC	USD	Cayman Isl	**38.37**	28.69	-7.32	13.29

NOTE: Changes in currency rates will affect performance and rankings.
KEY: * 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	12/04	EUR	53.82	19.4	17.4	-29.2
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	12/03	USD	10.19	24.1	29.3	-16.2
Am Eq Blend B	US	EQ	LUX	12/03	USD	9.58	23.0	28.1	-17.0
Am Growth A	US	EQ	LUX	12/03	USD	30.22	32.0	47.9	-7.7
Am Growth AX	US	EQ	LUX	12/03	USD	32.61	32.7	48.8	-7.1
Am Growth B	US	EQ	LUX	12/03	USD	25.43	30.7	46.4	-8.6
Am Growth C	US	EQ	LUX	12/03	USD	27.35	31.4	47.2	-8.1
Am Growth I	US	EQ	LUX	12/03	USD	33.47	32.9	49.1	-7.0
Am Income A	US	BD	LUX	12/03	USD	8.42	24.3	32.7	5.0
Am Income A2	US	BD	LUX	12/03	USD	18.93	24.4	32.7	5.0
Am Income A2	OT	OT	NA	12/03	HKD	146.71	NS	NS	NS
Am Income AT	OT	OT	NA	12/03	HKD	65.10	NS	NS	NS
Am Income AT	US	BD	LUX	12/03	USD	8.40	24.3	32.6	5.0
Am Income B	US	BD	LUX	12/03	USD	8.42	23.4	31.7	4.2
Am Income B2	US	BD	LUX	12/03	USD	16.32	23.5	31.7	4.2
Am Income B2	OT	OT	NA	12/03	HKD	126.48	NS	NS	NS
Am Income BT	OT	OT	NA	12/03	HKD	65.49	NS	NS	NS
Am Income BT	US	BD	LUX	12/03	USD	8.45	23.6	31.8	4.3
Am Income C	US	BD	LUX	12/03	USD	8.42	23.7	32.1	4.5
Am Income C2	US	BD	LUX	12/03	USD	24.27	23.9	32.1	4.5
Am Income I	US	BD	LUX	12/03	USD	8.42	25.0	33.6	5.7
Am Value A	US	EQ	LUX	12/03	USD	8.42	16.8	28.9	-15.1
Am Value B	US	EQ	LUX	12/03	USD	7.76	15.6	27.6	-15.9
Am Value C	US	EQ	LUX	12/03	USD	8.43	16.3	28.3	-15.4
Am Value I	US	EQ	LUX	12/03	USD	9.06	17.7	30.0	-14.4
Emg Mkts Debt A	GL	BD	LUX	12/03	USD	15.57	43.6	55.8	7.7
Emg Mkts Debt A2	GL	BD	LUX	12/03	USD	20.02	43.8	56.0	7.7
Emg Mkts Debt AT	GL	BD	LUX	12/03	USD	15.61	43.8	56.1	7.7
Emg Mkts Debt B	GL	BD	LUX	12/03	USD	15.57	42.3	54.4	6.6
Emg Mkts Debt B2	GL	BD	LUX	12/03	USD	19.29	42.5	54.4	6.6
Emg Mkts Debt BT	GL	BD	LUX	12/03	USD	15.60	42.5	54.5	6.6
Emg Mkts Debt C	GL	BD	LUX	12/03	USD	15.57	43.0	55.2	7.2
Emg Mkts Debt C2	GL	BD	LUX	12/03	USD	19.68	43.2	55.3	7.2
Emg Mkts Debt I	GL	BD	LUX	12/03	USD	15.57	44.2	56.6	8.2
Emg Mkts Growth A	GL	EQ	LUX	12/03	USD	34.21	70.7	87.3	-14.4
Emg Mkts Growth B	GL	EQ	LUX	12/03	USD	29.02	69.2	85.5	-15.2
Emg Mkts Growth C	GL	EQ	LUX	12/03	USD	29.67	70.0	86.6	-14.7
Emg Mkts Growth I	GL	EQ	LUX	12/03	USD	37.90	72.0	88.8	-13.7
Eur Growth A	OT	OT	LUX	12/03	USD	10.22	21.9	21.0	-19.5
Eur Growth A	OT	OT	LUX	12/03	EUR	6.79	21.9	21.0	-19.5
Eur Growth B	OT	OT	LUX	12/03	EUR	6.11	20.8	19.8	-20.3
Eur Growth B	OT	OT	LUX	12/03	USD	9.19	20.8	19.8	-20.3
Eur Growth C	EU	EQ	LUX	12/03	EUR	5.14	21.2	20.4	-19.9
Eur Growth I	OT	OT	LUX	12/03	USD	11.12	22.6	21.9	-19.0
Eur Growth I	OT	OT	LUX	12/03	EUR	7.39	22.6	21.9	-19.0
Eur Income A	OT	OT	LUX	12/03	EUR	6.61	39.1	34.7	3.5
Eur Income A	OT	OT	LUX	12/03	USD	9.95	39.1	34.7	3.5
Eur Income A2	OT	OT	LUX	12/03	EUR	12.83	39.3	34.6	3.6
Eur Income A2	OT	OT	LUX	12/03	USD	19.31	39.3	34.6	3.6
Eur Income AT	EU	BD	LUX	12/03	EUR	6.60	39.2	34.7	3.5
Eur Income B	OT	OT	LUX	12/03	EUR	6.61	38.3	33.8	2.8
Eur Income B	OT	OT	LUX	12/03	USD	9.95	38.3	33.8	2.8
Eur Income B2	OT	OT	LUX	12/03	EUR	11.94	38.4	33.7	2.8
Eur Income B2	OT	OT	LUX	12/03	USD	17.97	38.4	33.7	2.8
Eur Income BT	EU	BD	LUX	12/03	EUR	6.60	38.4	33.6	2.8
Eur Income C	OT	OT	LUX	12/03	EUR	6.61	38.6	34.1	3.1
Eur Income C	OT	OT	LUX	12/03	USD	9.95	38.6	34.1	3.1
Eur Income C2	OT	OT	LUX	12/03	EUR	12.79	38.7	34.1	3.1
Eur Income C2	OT	OT	LUX	12/03	USD	19.25	38.7	34.1	3.1
Eur Income I	OT	OT	LUX	12/03	EUR	6.61	39.7	35.3	4.1
Eur Income I	OT	OT	LUX	12/03	USD	9.95	39.7	35.3	4.1
Eur Strat Value A	OT	OT	LUX	12/03	EUR	8.30	19.3	19.8	-23.2
Eur Strat Value A	OT	OT	LUX	12/03	USD	12.49	19.3	19.8	-23.2
Eur Strat Value I	OT	OT	LUX	12/03	EUR	8.50	20.2	20.9	-22.5
Eur Strat Value I	OT	OT	LUX	12/03	USD	12.79	20.2	20.9	-22.5
Eur Value A	OT	OT	LUX	12/03	USD	13.45	22.8	23.8	-20.3
Eur Value A	OT	OT	LUX	12/03	EUR	8.94	22.8	23.8	-20.3
Eur Value B	OT	OT	LUX	12/03	EUR	8.23	21.6	22.7	-21.1
Eur Value B	OT	OT	LUX	12/03	USD	12.38	21.6	22.7	-21.1
Eur Value C	OT	OT	LUX	12/03	USD	13.02	22.2	23.4	-20.6
Eur Value C	OT	OT	LUX	12/03	EUR	8.65	22.2	23.4	-20.6
Eur Value I	OT	OT	LUX	12/03	USD	15.53	23.6	24.9	-19.6
Eur Value I	OT	OT	LUX	12/03	EUR	10.32	23.6	24.9	-19.6
Gl Balanced (Euro) A	OT	OT	LUX	12/03	USD	16.96	18.9	21.7	-12.3
Gl Balanced (Euro) B	OT	OT	LUX	12/03	USD	16.54	17.8	20.5	-13.2
Gl Balanced (Euro) C	OT	OT	LUX	12/03	USD	16.84	18.7	21.5	-12.5
Gl Balanced (Euro) I	OT	OT	LUX	12/03	USD	17.26	NS	NS	NS
Gl Balanced A	US	BA	LUX	12/03	USD	16.51	24.2	30.6	-11.0
Gl Balanced B	US	BA	LUX	12/03	USD	15.71	23.1	29.3	-11.9
Gl Balanced C	OT	OT	LUX	12/03	USD	16.27	23.9	30.3	-11.3
Gl Balanced C	OT	OT	LUX	12/03	EUR	10.81	23.9	30.3	-11.3
Gl Balanced I	US	BA	LUX	12/03	USD	17.11	25.0	31.5	-10.4
Gl Bond A	US	BD	LUX	12/03	USD	9.33	13.4	16.5	4.7
Gl Bond A2	US	BD	LUX	12/03	USD	16.12	13.4	16.6	4.7
Gl Bond A2	OT	OT	NA	12/03	HKD	124.93	13.4	16.6	4.7
Gl Bond AT	OT	OT	LUX	12/03	HKD	72.23	13.5	16.7	4.7
Gl Bond AT	US	BD	LUX	12/03	USD	9.32	13.5	16.7	4.7
Gl Bond B	US	BD	LUX	12/03	USD	9.33	12.3	15.4	3.6
Gl Bond B2	US	BD	LUX	12/03	USD	14.13	12.4	15.4	3.7
Gl Bond B2	OT	OT	NA	12/03	HKD	109.51	12.4	15.4	3.7
Gl Bond BT	OT	OT	LUX	12/03	HKD	72.46	12.3	15.4	3.6
Gl Bond BT	US	BD	LUX	12/03	USD	9.35	12.3	15.4	3.6
Gl Bond C	US	BD	LUX	12/03	USD	9.33	12.9	16.0	4.2
Gl Bond C2	US	BD	LUX	12/03	USD	13.99	12.9	16.1	4.2
Gl Bond I	US	BD	LUX	12/03	USD	9.33	13.9	17.2	5.3
Gl Conservative A	US	BA	LUX	12/03	USD	14.91	15.7	19.8	-4.5
Gl Conservative A2	US	BA	LUX	12/03	USD	16.97	16.4	20.5	-4.2
Gl Conservative B	US	BA	LUX	12/03	USD	14.91	14.9	18.9	-5.3
Gl Conservative B2	US	BA	LUX	12/03	USD	16.14	15.4	19.4	-5.1
Gl Conservative C	US	BA	LUX	12/03	USD	14.90	15.3	19.4	-4.9
Gl Conservative C2	US	BA	LUX	12/03	USD	16.61	16.0	20.0	-4.6
Gl Conservative I	US	BA	LUX	12/03	USD	14.96	16.4	20.7	-3.8
Gl Eq Blend A	GL	EQ	LUX	12/03	USD	11.64	30.2	39.2	-21.7
Gl Eq Blend B	GL	EQ	LUX	12/03	USD	10.94	29.2	38.0	-22.4
Gl Eq Blend C	GL	EQ	LUX	12/03	USD	11.44	29.7	38.7	-22.0
Gl Eq Blend I	GL	EQ	LUX	12/03	USD	12.28	31.3	40.5	-21.0
Gl Growth A	GL	EQ	LUX	12/03	USD	41.72	29.4	37.1	-22.3
Gl Growth B	GL	EQ	LUX	12/03	USD	34.85	28.2	35.7	-23.1
Gl Growth C	GL	EQ	LUX	12/03	USD	40.05	28.8	36.4	-22.7
Gl Growth I	GL	EQ	LUX	12/03	USD	46.30	30.3	38.2	-21.7
Gl High Yield A	US	BD	LUX	12/03	USD	4.26	57.0	65.2	3.3
Gl High Yield A2	US	BD	LUX	12/03	USD	9.05	57.1	65.1	3.2
Gl High Yield A2	OT	OT	NA	12/03	HKD	70.14	57.1	65.1	3.2
Gl High Yield AT	OT	OT	NA	12/03	HKD	32.63	57.2	64.9	3.2
Gl High Yield AT	US	BD	LUX	12/03	USD	4.21	57.2	64.9	3.2
Gl High Yield B	US	BD	LUX	12/03	USD	4.26	55.1	63.0	2.1
Gl High Yield B2	US	BD	LUX	12/03	USD	14.55	55.6	63.5	2.2
Gl High Yield B2	OT	OT	NA	12/03	HKD	112.76	55.6	63.5	2.2
Gl High Yield BT	OT	OT	NA	12/03	HKD	33.17	55.2	63.1	2.2
Gl High Yield BT	US	BD	LUX	12/03	USD	4.28	55.2	63.1	2.2
Gl High Yield C	US	BD	LUX	12/03	USD	4.26	56.1	64.2	2.8
Gl High Yield C2	US	BD	LUX	12/03	USD	13.41	56.5	64.3	2.7
Gl High Yield I	US	BD	LUX	12/03	USD	4.26	58.0	66.4	4.0
Gl Value A	GL	EQ	LUX	12/03	USD	11.15	31.3	41.7	-21.0
Gl Value B	GL	EQ	LUX	12/03	USD	10.25	30.1	40.2	-21.8
Gl Value C	GL	EQ	LUX	12/03	USD	10.84	30.8	41.1	-21.3
Gl Value I	GL	EQ	LUX	12/03	USD	11.85	32.3	42.8	-20.4
Gl. Thematic Res. A	OT	OT	LUX	12/03	USD	14.70	68.0	87.3	-5.4
Gl. Thematic Res. B	OT	OT	LUX	12/03	USD	12.87	66.5	85.4	-6.4
Gl. Thematic Res. I	OT	OT	LUX	12/03	USD	16.38	69.2	88.7	-4.7
Greater China A	AS	EQ	LUX	12/03	USD	40.21	56.8	68.2	-18.3
Greater China B	AS	EQ	LUX	12/03	USD	35.61	55.3	66.6	-19.1
Greater China C	AS	EQ	LUX	12/03	USD	39.72	56.1	67.5	-18.7
India Growth A	OT	OT	LUX	12/03	USD	126.18	NS	NS	NS
India Growth AX	OT	OT	LUX	12/03	USD	110.27	90.9	105.5	-8.4
India Growth B	OT	OT	LUX	12/03	USD	132.29	NS	NS	NS
India Growth BX	OT	OT	LUX	12/03	USD	94.33	89.2	103.5	-9.3
India Growth I	EA	EQ	LUX	12/03	USD	114.23	91.6	106.3	-8.1
Int'l Health Care A	OT	EQ	LUX	12/03	USD	135.47	15.4	21.9	-9.8
Int'l Health Care B	OT	EQ	LUX	12/03	USD	114.36	14.3	20.7	-10.7
Int'l Health Care C	OT	EQ	LUX	12/03	USD	129.88	14.9	21.4	-10.2
Int'l Health Care I	OT	EQ	LUX	12/03	USD	147.92	16.2	22.9	-9.0
Int'l Technology A	OT	EQ	LUX	12/03	USD	105.45	44.2	51.7	-13.1
Int'l Technology B	OT	EQ	LUX	12/03	USD	91.45	42.8	50.2	-14.0
Int'l Technology C	OT	EQ	LUX	12/03	USD	101.94	43.6	51.0	-13.5
Int'l Technology I	OT	EQ	LUX	12/03	USD	118.17	45.2	53.0	-12.4
Japan Eq Blend A	JP	EQ	LUX	12/03	JPY	5832.00	8.7	18.2	-25.3
Japan Eq Blend B	JP	EQ	LUX	12/03	JPY	5632.00	7.7	17.0	-26.1
Japan Eq Blend C	JP	EQ	LUX	12/03	JPY	5741.00	8.2	17.6	-25.7
Japan Growth A	JP	EQ	LUX	12/03	JPY	5732.00	3.0	10.1	-25.6
Japan Growth B	JP	EQ	LUX	12/03	JPY	5535.00	2.1	9.0	-26.4
Japan Growth C	JP	EQ	LUX	12/03	JPY	5643.00	2.6	9.6	-26.0
Japan Strat Value A	JP	EQ	LUX	12/03	JPY	5890.00	14.2	26.2	-25.4
Japan Strat Value B	JP	EQ	LUX	12/03	JPY	5694.00	13.2	24.9	-26.1
Japan Strat Value C	JP	EQ	LUX	12/03	JPY	5794.00	13.7	25.6	-25.7
Real Estate Sec. A	OT	EQ	LUX	12/03	USD	14.20	33.1	52.7	-17.8
Real Estate Sec. B	OT	EQ	LUX	12/03	USD	12.99	31.9	51.2	-18.7
Real Estate Sec. I	OT	EQ	LUX	12/03	USD	15.25	34.0	53.9	-17.2
Short Mat Dollar A	US	BD	LUX	12/03	USD	7.20	10.3	11.7	-6.6
Short Mat Dollar A2	US	BD	LUX	12/03	USD	9.67	10.4	11.7	-6.7
Short Mat Dollar AT	US	BD	LUX	12/03	USD	7.19	10.5	11.8	-6.6
Short Mat Dollar B	US	BD	LUX	12/03	USD	7.20	9.9	11.2	-7.0
Short Mat Dollar B2	US	BD	LUX	12/03	USD	9.63	9.9	11.2	-7.1
Short Mat Dollar BT	OT	OT	LUX	12/03	USD	7.20	9.2	10.6	-7.4
Short Mat Dollar C	US	BD	LUX	12/03	USD	7.20	9.9	11.2	-7.0
Short Mat Dollar C2	US	BD	LUX	12/03	USD	13.62	10.0	11.3	-7.0
Short Mat Dollar I	US	BD	LUX	12/03	USD	7.20	10.9	12.4	-6.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/01	USD	120.50	20.5	20.3	10.1
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	09/30	USD	108.96	6.0	3.6	-31.0
Platinm-Emancipation	OT	OT	USA	09/30	USD	96.83	29.4	0.4	-7.7
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	09/30	USD	55.93	NS	8.3	-39.0
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	12/01	USD	53.48	-35.8	-32.6	8.8
Superfund GCT USD*	GL	EQ	LUX	12/01	USD	2705.00	-25.9	-24.5	8.4
Superfund Green Gold A (SPC)	OT	OT	CYM	12/01	USD	1221.92	5.1	13.2	23.5
Superfund Green Gold B (SPC)	OT	OT	CYM	12/01	USD	1268.02	-5.9	1.8	23.7
Superfund Q-AG*	OT	OT	AUT	12/01	EUR	7509.00	-14.3	-12.8	9.6
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	12/03	EUR	51.01	31.2	44.5	-12.4
Industria AE	EU	EQ	DEU	12/03	EUR	70.19	34.1	36.8	-18.1
InternRent AE	EU	BD	DEU	12/03	EUR	35.00	3.0	-2.2	8.9

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MARKETS

Oil's usual triggers fail to rouse market

Investors use futures as hedge for the dollar

By Brian Baskin

A charge toward $80-a-barrel crude is looking more remote after a week that began with a pirate attack and ended with encouraging economic data failed to rouse a flagging futures market.

When the oil market is primed to rally, a threat to supplies—even a remote one—is often enough to push prices higher.

COMMODITIES MARKETS

Last week's events indicated that oil may be headed in the opposite direction: The hijacking of an oil tanker by Somali pirates didn't budge prices, and Iran's capture of a yacht carrying five U.K. citizens was good for only a $1 boost last Monday. The Iranian oil minister's threat to cut off crude exports was ignored by traders the next day, and a spill along a pipeline in Alaska's giant Prudhoe Bay oil field warranted barely a blip on trading screens.

By the end of Friday's trading, January crude had settled at $75.47 a barrel, down 58 cents from a week earlier and near a two-month low. Crude hasn't ended above $80 a barrel in a month.

The market's rejection of an early rally off of an unexpected decrease in U.S. unemployment on Friday would have been especially disturbing for anyone betting on a quick return to $80 crude. Joblessness is among the most closely tracked economic indicators in the oil market, as a decline could signal a rise in gasoline-guzzling commutes to drain bulging inventories.

But potential supply disruptions and growing optimism about the economy aren't resonating in a market where a major contingent of investors is using oil as a hedge against fluctuations in the dollar's value. The stronger the dollar, the more expensive oil becomes to holders of other currencies, necessitating a price drop.

The outlook for global oil supply and demand is of secondary concern, particularly when stockpiles and spare production capacity have ballooned since futures hit record highs in 2008.

"Some of the geopolitical scares don't pack quite as much punch as they did two years ago," said Rachel Ziemba with Roubini Global Economics, adding "at the end of the day, oil is...being used as a proxy for risk appetite."

The International Energy Agency estimates that global oil demand will need until 2011 to fully recover from this year's forecast decline of 1.5 million barrels a day.

Stockpiles could take until the second half of next year to begin falling, analysts with J.P. Morgan Chase said.

Australia slips but Japan rises over key mark

By Myra P. Saefong And Colin Ng

Resource stocks in Australia declined along with commodity prices, while a battle for a piece of **Japan Airlines** lifted the carrier's stock and pushed Japan's benchmark above 10000 for the first time in more than a month.

Australia's S&P/ASX 200 closed 1.5% lower at 4702.22 as a slightly stronger U.S. dollar put base metals under pressure, said Cameron Peacock, a market analyst at IG Markets in Melbourne. And Australia's stock exchange is "heavily weighted toward the resource sector."

ASIAN-PACIFIC STOCKS

In Sydney, **Rio Tinto** fell 2.3%, **Sino Gold Mining** lost 3.9% and **Fortescue Metals Group** declined by 2.5%.

In Tokyo, Japan's Nikkei Stock Average of 225 companies seesawed before ending up 0.5% at 10022.59, its first close above 10000 since Oct. 30 amid optimism over a weakening yen. The index snapped a five-week losing streak with a 10% jump.

Japan Airlines climbed 8.7% as speculators bought amid the intensifying battle between AMR's American Airlines and Delta Air Lines to acquire a stake in the ailing Japanese carrier. American Airlines said it was prepared to invest $1.1 billion along with private-equity firm TPG, trumping a previous offer by Delta.

Asian bonds may slow; First Ship deal nears

By Ditas Lopez

SINGAPORE—As international bond issuance out of Asia dries up in the final weeks of the year, market players are setting their sights on next year, saying it should favor opportunistic issuers.

J.P. Morgan Chase & Co. forecasts supply of about $615 billion of non-guaranteed bonds next year, about 9% below the likely 2009 total.

BOND MARKETS

The decline will reflect the large cash holdings that companies built up during 2009, modest capital expenditures, prefunding of coming maturities during 2009 and the risk of higher interest rates, it said.

One of the last issues of this year could be from Singapore's **First Ship Lease Trust**, which wrapped up meetings with investors as it seeks to raise up to $200 million in seven-year, high-yield bonds.

Pricing isn't expected to be easy for the rare and rather unique issuer, seen as an alternative asset similar to real-estate investment trusts and hedge funds. First Ship was in the midst of its meetings when panic over **Dubai World**'s surprise call for a debt standstill and restructuring caused yield premiums over top-quality government debt to widen sharply world-wide.

With the problems now seen to be specific to Dubai, these premiums, or spreads, have come back in and indexes of credit default swaps are at two-week lows.

"I'm thinking the chances are rather slim" for more deals to get done before the year-end, said Peter Pellicano, a syndicate banker at Credit Suisse in Hong Kong. "But I think for the start of the new year, things should look pretty good."

J.P. Morgan bankers say issuance from the region next year should attract interest from investors both inside and outside Asia.

"For the right name, for the right story...it is Asian-centric," Philip Lee, chief executive officer for investment banking in Southeast Asia at J.P. Morgan, said in a media briefing. "There seems to be a lot of support from the global investment community. I think this is going to continue into 2010."

"We are going to see a return of high-yield issues, but investors are going to be more discerning," Ananth Ramachandran, head of debt capital markets for south and southeast Asia at J.P.Morgan, said in the same media briefing. "They are going to be backing those high-yield credits that have very good cash flow and certain industries (in which) there's going to be adequate financial sector support."

Japanese bonds

Yields on Japanese government debt rose Friday, but the move was limited as the Bank of Japan's announcement of new liquidity measures continued to lend support.

The benchmark 10-year yield rose 0.025 percentage point to 1.285%.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	11/26	USD	247446.48	83.4	118.0	-0.9

GAM

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM FUND MANAGEMENT LIMITED									
George's Court, 54-62 Townsend Street, Dublin 2, Ireland									
Tel +3531 609 3927 Fax +3531 611 7941, Internet: www.gam.com									
GAM Arbitrage Op	OT	OT	VGB	11/27	USD	1245.90	22.9	9.7	-8.8
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	11/30	JPY	14828.64	58.2	71.2	-1.9
GAM Asia Equity Hedge US	OT	OT	VGB	11/30	USD	279.62	60.2	74.2	0.2
GAM Asia Equity USD	OT	OT	VGB	12/03	USD	652.49	62.5	85.1	-14.2
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/01	USD	1244.79	15.9	29.6	-17.2
GAM Com Glb Bal EUR Op	US	BA	VGB	11/23	EUR	92.43	15.1	18.7	-9.0
GAM Com Glb Bal USD Op	US	BA	VGB	11/23	USD	127.74	15.1	18.7	-9.0
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	11/23	EUR	93.65	21.3	28.4	-16.1
GAM Comp Glb Eq USD Op	GL	EQ	VGB	11/23	USD	126.68	21.3	28.4	-16.1
GAM Comp Glb Gr EUR Op	US	BA	VGB	11/23	EUR	82.80	15.2	20.6	-13.3
GAM Comp Glb Gr USD Op	US	BA	VGB	11/23	USD	126.58	15.2	20.6	-13.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	11/30	USD	238.76	31.1	37.3	-14.1
GAM Cross Trading Inc	OT	OT	VGB	11/23	USD	467.75	6.9	7.2	NS
GAM Diversity CHF Op	OT	OT	VGB	11/23	CHF	94.42	4.4	2.5	-7.0
GAM Diversity EUR Op	OT	OT	VGB	11/23	EUR	649.12	5.2	3.6	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	10/30	USD	76.73	6.4	-4.0	-22.6
GAM Diversity USD Op	OT	OT	VGB	11/23	USD	681.66	5.2	4.2	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	11/23	CHF	99.73	4.2	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	11/23	EUR	139.02	4.8	2.9	-5.5
GAM Dvrsty II USD Op	OT	OT	VGB	11/23	USD	210.63	4.8	3.6	-5.7
GAM DvrstyIII EUR Op	OT	OT	VGB	10/30	EUR	114.70	3.8	-0.4	-6.5
GAM DvrstyIII USD Op	OT	OT	VGB	10/30	USD	121.09	3.8	-0.1	-6.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	11/30	EUR	212.21	7.6	8.3	-6.3
GAM Euro Eq Hdg USD Op	OT	OT	VGB	11/30	USD	197.46	8.4	9.6	-4.1
GAM European Equity USD	OT	OT	VGB	12/02	USD	302.86	28.8	42.0	-14.0
GAM GAMCO	OT	EQ	VGB	12/01	USD	800.00	37.9	55.0	-11.2
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	10/30	EUR	97.64	13.2	12.7	-17.5
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	11/30	USD	103.26	14.1	14.1	-15.2
GAM Gbl Divers USD Inc.	GL	EQ	VGB	11/30	USD	246.58	20.8	30.8	-9.1
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	11/23	USD	278.90	95.3	117.5	17.5
GAM Intrst Trend II	GL	BD	VGB	11/30	USD	94.29	42.7	37.4	-7.0
GAM Intrst Trend Inc	OT	OT	VGB	11/30	USD	250.31	57.1	52.3	-5.5
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	11/30	EUR	108.76	1.8	4.1	-11.7
GAM Japan Eq Hdg USD Op	OT	OT	VGB	11/30	USD	112.96	0.4	6.5	-23.1
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	10/30	JPY	8507.22	10.3	23.5	-21.8
GAM Japan USD	JP	EQ	VGB	12/03	USD	1086.22	5.0	20.1	-18.8
GAM Japan YEN	JP	EQ	VGB	12/03	JPY	8494.21	6.0	18.3	-25.7
GAM Money Mkt EuroOp	EU	MM	VGB	12/02	EUR	51.19	0.1	0.2	1.8
GAM Money Mkt USD	US	MM	VGB	12/02	USD	100.00	0.0	0.0	1.0
GAM Multi-Arb EUR Op	OT	OT	VGB	11/23	EUR	113.51	1.3	-1.9	-8.7
GAM Multi-Arb USD Op	OT	OT	VGB	10/30	USD	118.02	1.1	-5.6	-9.4
GAM Multi-China EUR Op	OT	OT	VGB	10/30	EUR	159.17	7.2	7.9	-15.9
GAM Multi-China USD Op	OT	OT	VGB	10/30	USD	167.40	7.8	8.4	4.1
GAM Multi-Emer Mkts GBP	OT	OT	VGB	10/30	GBP	127.90	22.3	20.4	-4.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	11/23	USD	644.45	24.4	22.9	-2.9
GAM Multi-Eur EUR Op	OT	OT	VGB	10/30	EUR	265.40	5.7	5.1	-12.5
GAM Multi-Eur II EUR Op	OT	OT	VGB	11/23	EUR	137.78	6.6	6.0	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	11/23	USD	112.70	6.3	5.6	-11.2
GAM Multi-Eur USD Op	OT	OT	VGB	10/30	USD	462.12	5.5	4.6	-13.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	11/23	EUR	132.52	11.2	11.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	11/23	USD	215.93	11.6	14.3	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	10/30	EUR	140.15	2.8	2.4	-6.4
GAM Multi-Pac USD Op	OT	OT	VGB	11/23	USD	163.35	3.9	3.3	-5.4
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	11/30	USD	2532.45	62.7	63.5	8.8
GAM Sing/Malaysia	AS	EQ	VGB	12/03	USD	2538.87	52.8	61.4	-10.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	11/30	GBP	241.39	39.7	39.6	2.2
GAM Trading EUR Inc	OT	OT	VGB	11/23	EUR	326.42	6.8	6.6	7.5
GAM Trading USD Inc	OT	OT	VGB	11/23	USD	976.92	7.0	6.7	6.9
GAM Trdg II IncEUR Op	OT	OT	VGB	11/23	EUR	139.65	6.7	6.5	7.4
GAM Trdg II IncUSD Op	OT	OT	VGB	11/23	USD	317.20	7.0	6.8	7.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	11/23	EUR	147.36	6.5	6.2	7.0
GAM Trdg IV IncUSD Op	OT	OT	VGB	11/23	USD	155.13	6.7	6.5	6.8
GAM Trdg V IncEUR Op	OT	OT	VGB	10/30	EUR	124.10	5.8	6.6	7.1
GAM Trdg V IncUSD Op	OT	OT	VGB	10/30	USD	129.23	5.9	7.1	6.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	11/23	EUR	157.56	6.5	6.1	7.1
GAM TrdgIII IncUSD Op	OT	OT	VGB	11/23	USD	163.16	6.7	6.5	6.9
GAM USDSpecBondInc	US	BD	VGB	11/30	USD	516.29	69.8	70.4	6.0
GAM Worldwide	GL	EQ	VGB	12/02	USD	2274.50	27.0	37.8	-10.3
GAMut Investments	OT	OT	VGB	11/30	USD	7628.70	5.1	6.6	8.1
GAM Star Fund Plc									
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/02	CHF	10.51	48.5	49.0	-19.7
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/02	EUR	11.16	49.3	54.3	-15.1
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/02	GBP	1.50	41.6	63.8	-4.2
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/02	USD	13.21	61.1	82.9	-13.6
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/02	EUR	95.19	12.6	18.1	-18.1
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/02	EUR	92.12	12.6	18.1	-18.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/02	EUR	10.59	20.3	22.8	-13.4
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/02	EUR	177.20	21.0	21.5	-15.7
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/02	EUR	161.92	20.9	21.4	-15.7
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/02	USD	16.26	30.3	43.8	-14.1
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/02	USD	14.75	30.2	43.7	-14.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/02	USD	5.45	15.8	13.1	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/02	EUR	82.11	0.9	7.4	-17.8
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/02	EUR	82.11	0.9	7.4	-17.8
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/02	JPY	855.67	2.1	15.4	-26.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/02	USD	10.62	1.0	17.0	-19.8
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/02	USD	2251.64	27.9	38.9	-9.8

المجموعة المالية - هيرميس
EFG HERMES

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
HERMES FINANCIAL MANAGEMENT (EGYPT) LIMITED, AMSALES@EFG-HERMES.COM									
*Tel: 9714 363 4041 *Middle East & Developing Africa Fund*									
EFG-Hermes Egypt	GL	EQ	BMU	11/18	USD	40.20	16.3	NS	NS
EFG-Hermes MEDA*	GL	EQ	BMU	09/30	USD	24.16	15.3	-17.3	-10.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	11/24	SAR	6.05	27.6	21.8	NS
EFG-Hermes Telecom	OT	EQ	BMU	09/30	USD	29.73	16.0	-0.1	-8.2
LLOYD GEORGE MANAGEMENT (HK) LTD									
Suite 3808, One Exchange Square, HK: Tel. 852 2845 4433 Fax. 852 2845 3911									
LG Antenna	GL	EQ	BMU	11/30	USD	59.22	73.5	85.0	-10.6
LG Asian Plus	AS	EQ	CYM	11/27	USD	53.71	42.1	56.6	-18.0
LG AsianSmallerCo's	AS	EQ	BMU	12/03	USD	96.12	74.3	94.3	-22.5
LG India	EA	EQ	MUS	11/30	USD	62.69	96.5	118.4	-15.2

Manulife WEALTH MANAGEMENT 宏利財富管理

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110									
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong									
American Growth	US	EQ	LUX	12/03	USD	14.84	23.7	30.4	-14.3
American Growth AA	US	EQ	LUX	12/03	USD	0.86	23.4	30.1	-7.5
Asian Equity	AS	EQ	LUX	12/03	USD	2.45	63.5	84.9	-10.7
Asian Equity AA	AS	EQ	LUX	12/03	USD	0.79	62.9	84.3	-11.0
Asian Sm Cap Equity AA	AS	EQ	LUX	12/03	USD	1.16	91.5	116.3	-6.8
China Value A	AS	EQ	LUX	12/03	USD	7.19	66.3	81.2	-8.0
China Value AA	AS	EQ	LUX	12/03	USD	2.26	66.0	80.8	-8.2
Dragon Growth	AS	EQ	LUX	12/03	USD	1.68	71.4	84.1	-9.7
Dragon Growth AA	OT	OT	LUX	12/03	HKD	8.17	71.2	83.5	-10.9
Emg Eastrn Europe A	EU	EQ	LUX	12/03	USD	4.58	94.2	99.1	-17.8
Emg Eastrn Europe AA	EU	EQ	LUX	12/03	USD	1.97	93.9	98.8	-17.9
European Growth	EU	EQ	LUX	12/03	USD	9.41	46.3	66.1	-17.7
European Growth AA	EU	EQ	LUX	12/03	USD	0.67	45.9	65.7	-17.6
Global Contrarain AA	GL	EQ	LUX	12/03	USD	0.88	82.4	108.1	NS
Global Property AA	OT	EQ	LUX	12/03	USD	0.67	45.7	65.5	-16.9
Global Resources AA	OT	EQ	LUX	12/03	USD	1.15	62.7	92.4	-8.1
Healthcare AA	OT	EQ	LUX	12/03	USD	0.92	12.3	23.1	NS
India Equity AA	EA	EQ	LUX	12/03	USD	1.09	79.9	100.6	-17.7
International Growth	GL	EQ	LUX	12/03	USD	3.06	22.9	32.9	-16.1
International Growth AA	GL	EQ	LUX	12/03	USD	0.71	22.7	32.5	-16.3
Japanese Growth	JP	EQ	LUX	12/03	USD	2.82	8.9	23.3	-15.3
Japanese Growth AA	JP	EQ	LUX	12/03	USD	0.74	8.6	23.0	-14.2
Latin America Equity AA	GL	EQ	LUX	12/03	USD	1.31	108.7	128.3	-4.2
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/03	USD	1.12	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/03	USD	0.65	136.2	142.9	-20.7
Taiwan Equity AA	AS	EQ	LUX	12/03	USD	1.02	75.1	95.3	-2.4
Turkey Equity AA	EE	EQ	LUX	12/03	USD	0.70	91.6	115.5	-16.5
U.S. Bond AA	US	BD	LUX	12/03	USD	1.11	18.1	21.3	7.4
U.S. High Yield Bond AA	US	BD	LUX	12/03	USD	0.76	70.7	78.7	-4.5
U.S. Sm Cap Equity AA	US	EQ	LUX	12/03	USD	0.78	63.3	70.7	-15.5
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/03	USD	1.16	9.7	14.3	3.7
PT CIPTADANA ASSET MANAGEMENT									
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com									
Indonesian Grth Fund	EA	EQ	CYM	12/02	USD	123.32	113.8	166.8	-3.6

Sensible Asset Management
A Value Partners Group company

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
SENSIBLE ASSET MANAGEMENT LIMITED									
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948									
Asia Value Formula Fd-B	AS	EQ	CYM	12/03	USD	7.98	86.0	111.1	-7.0

SOCIETE GENERALE
Asset Management

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM									
SGAM Fund									
Bonds Eur Hi Yld A	EU	BD	LUX	12/02	EUR	20.22	52.1	51.7	-2.4
Bonds EURO A	EU	BD	LUX	12/02	EUR	41.43	4.9	4.9	5.7
Bonds EUROPE A	EU	BD	LUX	12/03	EUR	39.34	3.8	2.6	4.6
Bonds US OppsCoreplus A	US	BD	LUX	12/02	USD	37.19	17.9	20.8	8.7
Bonds World A	GL	BD	LUX	12/03	USD	44.30	11.2	16.8	8.6
Eq. China A	AS	EQ	LUX	12/03	USD	24.76	65.7	81.0	-15.7
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/02	EUR	26.22	27.3	27.4	-19.2
Eq. Eastern Europe A	EU	EQ	LUX	12/02	EUR	21.92	66.6	57.5	-28.1
Eq. Euroland A	EU	EQ	LUX	12/02	EUR	10.52	14.9	18.2	-22.3
Eq. EurolandCyclclsA	EU	EQ	LUX	12/02	EUR	17.27	25.5	31.6	-17.4
Eq. EurolandFinancialA	OT	EQ	LUX	12/02	EUR	11.37	34.9	37.4	-21.7
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/02	USD	9.67	62.2	83.9	-15.3
Eq. Global A	GL	EQ	LUX	12/02	USD	27.88	31.9	41.9	-15.4
Eq. Global Energy A	OT	EQ	LUX	12/02	USD	18.14	25.9	32.9	-12.9
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	12/02	USD	34.65	62.0	118.0	7.2
Eq. Pacific A	AS	EQ	LUX	12/03	USD	10.40	63.0	79.7	-14.3
Eq. US Lg Cap Gr A	US	EQ	LUX	12/02	USD	15.08	38.4	43.6	-13.8
Eq. US Rel Val A	US	EQ	LUX	12/02	USD	20.25	30.4	40.3	-16.0
Eq. US Sm Cap Val A	US	EQ	LUX	12/02	USD	15.27	16.6	24.1	-21.6
Money Market EURO A	EU	MM	LUX	12/02	EUR	27.39	1.0	1.3	2.8
Money Market USD A	US	MM	LUX	12/02	USD	15.83	0.5	0.7	1.9

المستثمر الوطني
The National Investor

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
THE NATIONAL INVESTOR									
*TNI Tower	Zayed 1st Street Khalidia| Web:www.tni.ae*								
TNI Mena Real Estate Fund	OT	OT	BMU	11/26	USD	1032.51	9.8	4.5	-22.2
TNI MENA Special Sits Fund	OT	OT	BMU	10/29	USD	1139.93	17.4	NS	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	11/26	AED	6.14	33.8	12.4	-24.1

Value Partners
Investing through discipline

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487									
**formerly known as China ABH Shares Fund*									
Intel-Chin MainInd Foc	AS	EQ	CYM	11/30	USD	29.32	82.8	100.8	0.0
Intel-China Converg*	AS	EQ	CYM	11/30	USD	112.36	84.4	103.2	-1.5
VP Classic - A	AS	EQ	CYM	12/03	USD	187.79	84.2	103.6	-1.2
VP CLassic - B	AS	EQ	CYM	12/03	USD	87.56	83.4	102.6	-1.7
VP High Dividend Stk	AS	EQ	CYM	11/30	USD	44.49	79.0	99.2	-1.2

yuki
Yuki Management & Research
Tel +81-3-5296-3277 www.yukijapan.co.jp

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YUKI INTERNATIONAL LIMITED									
Tel +44-207-269 0203 www.yukifunds.com									
YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	12/03	JPY	9080.00	5.8	12.2	-27.2
YMR-N Small Cap Fund	OT	OT	IRL	12/03	JPY	6913.00	7.2	14.8	-27.2
Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	12/04	JPY	6006.00	1.7	10.8	-28.3
Yuki 77 Growth	JP	EQ	IRL	12/04	JPY	5522.00	-6.7	-3.4	-34.0
Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/04	JPY	6606.00	5.9	13.8	-25.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/04	JPY	7466.00	-8.8	-2.0	-26.3
Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/04	JPY	4517.00	-1.2	4.6	-29.6
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/04	JPY	5138.00	-2.8	0.4	-23.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/04	JPY	5015.00	6.6	13.8	-25.6
Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/04	JPY	4259.00	0.2	7.1	-32.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/04	JPY	4504.00	0.3	6.2	-32.6
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/04	JPY	6709.00	10.0	18.6	-27.0
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/04	JPY	8333.00	3.9	12.3	-27.0
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/04	JPY	6230.00	-0.4	6.2	-29.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/04	JPY	7396.00	-7.0	-1.6	-25.7
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/04	JPY	5010.00	0.5	7.7	-27.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/04	JPY	11279.00	-0.5	6.0	-23.5
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/04	JPY	7770.00	1.7	8.3	-31.8
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/04	JPY	7010.00	14.3	19.8	-27.7
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/04	JPY	5531.00	6.5	15.2	-23.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/04	JPY	2681.00	12.3	16.9	-33.7
Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	12/04	JPY	5240.00	2.3	8.9	-29.1

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	-0.42%	**108.9%**	127.5%
Russia	2.61	**102.2**	120.7
China 88	2.71	**87.7**	69.0
Turkey	0.78	**82.5**	104.3
Singapore	-0.54	**60.3**	71.0
Hong Kong	-0.26	**52.9**	60.6
Sweden	1.20	**51.4**	65.6
South Korea	0.38	**47.8**	59.5
Netherlands	1.13	**37.3**	47.5
Canada	-1.35	**27.1**	39.9
Australia	-1.48	**26.1**	33.0
Switzerland	0.98	**24.6**	27.4
Italy	1.34	**20.6**	29.4
South Africa	-0.23	**20.4**	34.2
France	1.26	**20.3**	28.1
U.K.	0.22	**19.7**	31.1
Spain	0.87	**17.5**	27.4
Germany	0.80	**15.4**	26.6
Japan	0.46	**5.1**	16.1

Dow Jones Regional Sector Titans

Basic Res	-2.88%	**79.6%**	125.4%
Tiger 50*	-0.22	**57.7**	72.4
Auto Parts	-0.13	**52.1**	68.4
EU Enlarged†	2.63	**39.7**	38.4
Nordic 30	1.03	**37.9**	44.4
Asian 50	-1.40	**31.6**	49.0
Global 50	-0.05	**21.9**	28.3
Stoxx 50	1.19	**21.3**	26.8
Euro Stoxx 50	1.19	**18.9**	29.2
Arab 50	-0.64	**2.1**	0.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Nissan Motor	Japan	Automobiles	$36.7	728.00	**3.12%**	144.3%	-46.4%
Canon	Japan	Electronic Office Equipment	50.0	3,630	**2.83**	41.8	-43.6
Japan Tobacco	Japan	Tobacco	31.0	289,900	**2.73**	-16.2	-47.3
China Life Ins	Hong Kong	Life Insurance	39.4	41.00	**2.63**	89.8	119.7
Panasonic	Japan	Consumer Electronics	29.0	1,255	**2.62**	19.6	-44.7
BHP Billiton	Australia	General Mining	$128.0	41.40	**-2.52%**	58.3	59.5
East Japan Railway	Japan	Travel Tourism	27.1	6,070	**-2.41**	-12.3	-24.1
RioZim Ltd	Australia	General Mining	40.2	71.85	**-2.26**	184.5	19.8
National Australia Bk	Australia	Banks	53.4	28.10	**-2.02**	41.9	-27.2
Westpac Bking	Australia	Banks	64.5	24.04	**-1.72**	42.7	1.7

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Mitsubishi Japan (Industrial Suppliers)	39.8	2,175	**2.35%**	116.0%	-0.9%
Mitsui Japan (Industrial Suppliers)	25.9	1,281	**1.99**	85.4	-22.9
Honda Motor Japan (Automobiles)	61.8	3,030	**1.51**	83.3	-25.6
Sony Japan (Consumer Electronics)	27.9	2,510	**1.41**	45.1	-45.7
JFE Hldgs Japan (Iron Steel)	18.9	3,200	**1.27**	41.9	-41.9
Takeda Pharm Japan (Pharmaceuticals)	32.8	3,730	**1.08**	-17.3	-50.9
Mizuho Financial Grp Japan (Banks)	26.5	169.00	**0.60**	-19.8	-79.6
Samsung Elec South Korea (Semiconductors)	97.6	762,000	**0.40**	78.5	24.7
China Mobile (HK) Hong Kong (Mobile Telecommunications)	190.1	74.10	**0.20**	-1.9	19.9
Nintendo Japan (Toys)	29.3	20,530	**0.15**	-33.5	-25.8
PetroChina Hong Kong (Integrated Oil Gas)	27.0	9.92	**0.10**	58.7	-2.0
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	39.2	118.60	**0.08**	118.4	33.2
Cheung Kong (Hldgs) Hong Kong (Real Estate Holding Development)	30.3	101.30	**...**	50.1	11.8
Seven I Hldgs Japan (Broadline Retailers)	20.6	2,040	**...**	-28.8	-44.4
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	49.5	61.50	**...**	66.2	-5.6
Tokio Marine Japan (Property Casualty Insurance)	23.3	2,650	**...**	24.7	-37.8
Indl Comm Bk China Hong Kong (Banks)	72.2	6.74	**-0.15**	65.6	67.7
KB Fncl Group South Korea (Banks)	20.3	60,700	**-0.16**	105.0	-11.1
Mitsubishi UFJ Finl Grp Japan (Banks)	64.0	496.00	**-0.20**	14.0	-66.0
Commonwealth Bk of Australia Australia (Banks)	75.6	53.96	**-0.28**	74.6	15.1

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
China Constr Bk Hong Kong (Banks)	208.2	7.18	**-0.28%**	62.8%	73.0%
Sumitomo Mitsui Finl Japan (Banks)	32.6	2,900	**-0.34**	-2.0	-76.0
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.6	138.00	**-0.36**	171.3	-7.0
KDDI Japan (Mobile Telecommunications)	24.1	489,000	**-0.41**	-23.5	-37.1
Woolworths Australia (Food Retailers Wholesalers)	31.5	27.80	**-0.50**	6.6	26.7
NTT DoCoMo Japan (Mobile Telecommunications)	63.5	133,600	**-0.52**	-20.7	-24.5
Nippon T&T Japan (Fixed Line Telecommunications)	56.5	3,830	**-0.52**	-18.2	-34.2
POSCO South Korea (Iron Steel)	38.2	579,000	**-0.52**	68.1	100.0
Woodside Petroleum Australia (Exploration Production)	32.1	49.10	**-0.53**	61.2	29.2
Nippon Steel Japan (Iron Steel)	24.4	347.00	**-0.57**	29.0	-36.7
Shin-Etsu Chml Japan (Specialty Chemicals)	23.4	4,940	**-0.60**	45.3	-35.5
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.7	53.95	**-0.64**	54.6	-28.3
Tokyo Elec Power Japan (Conventional Electricity)	34.8	2,310	**-0.65**	-22.6	-36.9
Toyota Motor Japan (Automobiles)	131.0	3,730	**-0.80**	40.8	-47.0
Aus NZ Bk Australia (Banks)	50.7	21.98	**-0.99**	50.6	-20.4
QBE Ins Grp Australia (Reinsurance)	20.6	22.32	**-1.02**	-10.1	-11.7
Westfield Grp Australia (Retail REITs)	24.8	11.80	**-1.17**	-10.7	-37.1
Shinhan Financial Grp South Korea (Banks)	19.3	46,700	**-1.37**	52.4	9.8
Kansai Elec Power Japan (Conventional Electricity)	22.8	2,140	**-1.38**	-18.6	-29.4
CNOOC Hong Kong (Exploration Production)	70.0	12.14	**-1.62**	108.6	76.7

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.04%	0.64%	1.6%	7.4%	7.8%
Event Driven	0.14	1.03	4.2	14.5	13.4
Equity Long/Short	0.32	0.82	0.3	3.4	-3.5

*Estimates as of 12/03/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

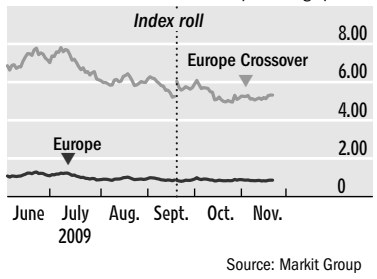
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.83	100.81%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.27	98.75	0.01	1.76	1.26	1.44
Europe Crossover: 12/1	5.05	99.78	0.05	6.15	4.87	5.34
Asia ex-Japan IG: 12/1	1.06	99.72	0.01	1.29	0.96	1.10
Japan: 12/1	1.34	98.34	0.01	1.68	0.99	1.32

Note: Data as of December 3

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Kawasaki Heavy Inds	157	**-13**	36	56
Kawasaki Kisen Kaisha	223	**-9**	7	61
Orix	394	**-7**	...	34
Socialist Rep Vietnam	238	**-7**	9	13
Nishimatsu Constr	547	**-6**	3	22
Marui Group	236	**-5**	8	50
Malaysia	96	**-4**	-8	-9
Aeon	160	**-4**	16	45
MISC	97	**-4**	-6	-10
Telekom Malaysia	92	**-4**	-2	-11

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Nippon Sheet Glass	207	**2**	16	18
Furukawa Elec	115	**2**	6	...
Nippon Telegraph Tel	27	**2**	5	7
KT	78	**2**	-4	-4
Citigroup Japan Hldgs	154	**2**	5	14
Takashimaya	97	**2**	7	11
Chartered Semicon Mfg	157	**3**	3	5
NTT Docomo	28	**3**	6	7
Sompo Japan Ins	126	**3**	3	26
Nippon Oil	46	**3**	4	5

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, UK

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

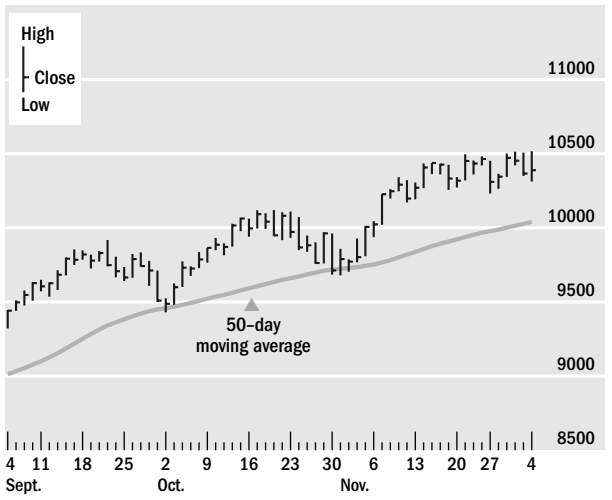
	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$548	12.5%	72%	9%	18%	1%
RBS	413	9.4	54	38	4	4
Credit Suisse	290	6.6	77	8	13	1
UBS	283	6.5	45	5	49	...
Goldman Sachs	262	6.0	51	18	31	...
Citi	245	5.6	46	13	40	1
Barclays Capital	239	5.5	14	64	15	7
Morgan Stanley	219	5.0	56	13	31	1
Bank of America Merrill Lynch	189	4.3	61	17	21	1

Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10388.90** ▲ 22.75, or 0.22%
YEAR TO DATE: ▲ **1,612.51, or 18.4%**
OVER 52 WEEKS ▲ **1,753.48, or 20.3%**



Nasdaq Composite Index P/E: 44*

LAST: **2194.35** ▲ 21.21, or 0.98%
YEAR TO DATE: ▲ **617.32, or 39.1%**
OVER 52 WEEKS ▲ **685.04, or 45.4%**

S&P 500 Index P/E: 72

LAST: **1105.98** ▲ 6.06, or 0.55%
YEAR TO DATE: ▲ **202.73, or 22.4%**
OVER 52 WEEKS ▲ **229.91, or 26.2%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**29.50**	$27.60	0.08	**0.29%**
Alcoa	AA	**44.90**	12.99	-0.28	**-2.11**
AmExpress	AXP	**18.90**	39.30	0.43	**1.11**
BankAm	BAC	**873.90**	16.28	0.52	**3.30**
Boeing	BA	**5.30**	54.68	0.91	**1.69**
Caterpillar	CAT	**10.00**	58.30	0.10	**0.17**
Chevron	CVX	**8.60**	78.07	0.11	**0.14**
CiscoSys	CSCO	**46.80**	24.16	0.33	**1.38**
CocaCola	KO	**12.00**	57.49	0.22	**0.38**
Disney	DIS	**13.70**	30.84	0.51	**1.68**
DuPont	DD	**24.90**	32.34	-2.49	**-7.15**
ExxonMobil	XOM	**22.00**	74.25	-0.74	**-0.99**
GenElec	GE	**84.40**	16.20	0.20	**1.25**
HewlettPk	HPQ	**18.10**	49.79	0.83	**1.70**
HomeDpt	HD	**15.10**	28.08	0.15	**0.54**
Intel	INTC	**82.20**	20.46	0.59	**2.97**
IBM	IBM	**6.80**	127.25	-0.30	**-0.24**
JPMorgChas	JPM	**57.40**	41.74	0.34	**0.82**
JohnsJohns	JNJ	**13.60**	64.36	0.20	**0.31**
KftFoods	KFT	**12.40**	26.57	0.15	**0.57**
McDonalds	MCD	**9.20**	61.59	-0.38	**-0.61**
Merck	MRK	**14.30**	36.70	-0.07	**-0.19**
Microsoft	MSFT	**55.80**	29.98	0.15	**0.50**
Pfizer	PFE	**43.90**	18.49	-0.15	**-0.80**
ProctGamb	PG	**10.50**	62.60	0.04	**0.06**
3M	MMM	**4.20**	78.24	1.09	**1.41**
TravelersCos	TRV	**5.60**	51.04	-0.40	**-0.78**
UnitedTech	UTX	**4.20**	68.32	1.06	**1.58**
Verizon	VZ	**14.60**	32.70	0.01	**0.03**
WalMart	WMT	**10.60**	54.24	-0.20	**-0.37**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
BankAm	BAC	**1,226.1**	$16.28	$0.52	**3.30%**
Citigroup	C	**318.8**	4.06	0.01	**0.25**
SPDR S&P 500	SPY	**274.8**	111.01	0.63	**0.57**
SPDR FnclSelSct	XLF	**195.5**	14.63	0.27	**1.88**
PwrShrs QQQ	QQQQ	**125.0**	44.12	0.23	**0.52**
iShrMSCIEmrgMkt	EEM	**108.7**	41.84	0.38	**0.92**
DrxFinancBear 3x	FAZ	**105.4**	19.49	-1.01	**-4.93**
iShrRu2000	IWM	**100.4**	60.42	1.46	**2.48**
GenElec	GE	**88.4**	16.20	0.20	**1.25**
Intel	INTC	**86.3**	20.46	0.59	**2.97**
FordMotor	F	**79.4**	8.94	0.00	**0.00**
SPDR GldTr	GLD	**79.2**	113.75	-4.95	**-4.17**
iShrMSCI Jpn	EWJ	**65.2**	9.99	0.00	**0.00**
WellsFargo	WFC	**63.9**	26.96	0.47	**1.77**
JPMorgChas	JPM	**61.5**	41.74	0.34	**0.82**

Biggest gainers...

FrontierFnl	FTBKD	**180.1**	$4.40	$0.80	**22.22%**
LodgenetInter	LNET	**303.9**	5.37	0.95	**21.49**
BigLots	BIG	**11,418.3**	28.08	4.54	**19.29**
MS DJStoxx50	DBX	**3.6**	16.45	2.45	**17.50**
BluelinxHldgs	BXC	**43.1**	3.10	0.44	**16.54**

...Biggest losers

Take2Sftwr	TTWO	**52,745.8**	$7.74	-$3.18	**-29.12%**
ColonyBcp	CBAN	**15.3**	3.69	-1.11	**-23.13**
SmithWesson	SWHC	**8,707.0**	4.45	-0.82	**-15.56**
GS Fnl	GSLA	**2.5**	13.38	-2.42	**-15.32**
Finisar	FNSR	**2,627.3**	8.43	-1.28	**-13.18**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.39	$5.72	**Taiwan Semi**	TSM	**15,825.0**	$10.80	0.21	**1.98%**
78.75	32.33	**BHP Billiton**	BHP	**6,513.5**	75.27	-1.86	**-2.41**
3.87	1.62	**Utd Microelectronics**	UMC	**6,424.9**	3.47	0.00	**0**
11.73	5.31	**AU Optrncs**	AUO	**3,606.2**	10.74	0.06	**0.56**
15.95	8.56	**China Unicom**	CHU	**2,356.4**	13.09	-0.15	**-1.13**
4.63	1.36	**Adv Semi Engrg**	ASX	**2,248.8**	4.20	0.03	**0.72**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**2,096.8**	5.57	0.04	**0.72**
9.50	3.96	**Nomura Hldgs**	NMR	**1,915.8**	7.95	0.37	**4.88**
8.19	3.14	**Siliconware Prec Ind**	SPIL	**1,870.7**	7.01	-0.06	**-0.85**
18.80	12.59	**SK Telecom**	SKM	**1,672.0**	16.76	0.05	**0.30**
59.22	40.20	**China Mobile**	CHL	**1,495.4**	47.88	0.48	**1.01**
53.13	21.87	**Infosys Tech**	INFY	**1,326.9**	52.46	0.47	**0.90**
81.00	37.43	**China Life Ins**	LFC	**1,154.3**	79.86	3.37	**4.41**
34.52	17.35	**Honda Motor**	HMC	**989.8**	34.29	0.68	**2.02**
30.82	15.64	**Sony**	SNE	**935.8**	28.52	0.54	**1.93**
32.79	9.91	**Aluminum Cp of China**	ACH	**877.8**	28.67	-0.34	**-1.17**
87.67	55.41	**Toyota Motor**	TM	**725.8**	84.30	-0.29	**-0.34**
17.66	10.46	**KT Corp**	KTC	**670.8**	16.88	0.20	**1.20**
15.29	6.85	**Korea Elec Pwr**	KEP	**644.9**	14.08	0.06	**0.43**
41.35	21.23	**Canon**	CAJ	**575.2**	41.04	1.37	**3.45**
16.60	10.60	**Matsushita Elec**	PC	**534.0**	14.21	0.38	**2.75**
20.35	13.11	**NTT DoCoMo**	DCM	**519.7**	14.90	-0.22	**-1.46**
27.96	17.71	**NTT**	NTT	**505.9**	21.44	-0.18	**-0.83**
135.92	63.94	**PetroChina**	PTR	**491.4**	127.86	1.08	**0.85**
19.56	15.05	**ChunghwaTel**	CHT	**432.5**	17.96	0.12	**0.67**
21.59	5.11	**Yanzhou Coal Mining**	YZC	**412.2**	20.89	-0.10	**-0.48**
150.50	47.09	**POSCO**	PKX	**411.5**	124.94	1.37	**1.11**
7.10	2.00	**Alumina**	AWC	**379.7**	5.72	-0.03	**-0.52**
167.15	71.74	**CNOOC**	CEO	**330.5**	156.63	0.15	**0.10**
94.00	46.45	**China Petro & Chem**	SNP	**263.7**	85.35	0.58	**0.68**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

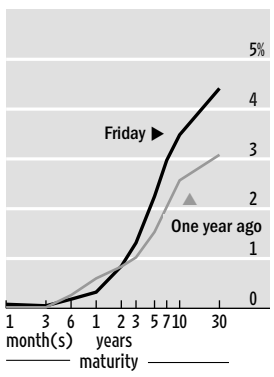
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.355%**	**352.5**	361.6	362.8	**222.2**	**4.350%**	4.552%	**3.045%**
4.500	10	**5.435**	**196.7**	204.5	208.3	**170.3**	**5.420**	5.553	**4.261**
5.250	**Austria** 2	**0.965**	**13.5**	17.5	5.2	**146.3**	**0.909**	0.976	**2.286**
4.350	10	**3.560**	**9.2**	13.0	11.8	**119.2**	**3.505**	3.588	**3.750**
3.500	**Belgium** 2	**1.125**	**29.5**	33.0	20.1	**171.9**	**1.064**	1.125	**2.542**
4.000	10	**3.612**	**14.4**	21.2	18.2	**130.7**	**3.587**	3.652	**3.865**
1.250	**Canada** 2	**1.263**	**43.3**	40.9	47.9	**70.3**	**1.143**	1.403	**1.526**
3.750	10	**3.317**	**-15.1**	-9.5	-4.1	**49.7**	**3.280**	3.429	**3.055**
4.000	**Denmark** 2	**2.210**	**138.0**	132.0	143.7	**245.9**	**2.054**	2.361	**3.282**
4.000	10	**3.619**	**15.1**	19.1	20.2	**102.1**	**3.566**	3.672	**3.579**
1.500	**France** 2	**1.272**	**44.2**	50.3	42.3	**160.2**	**1.237**	1.347	**2.425**
3.750	10	**3.484**	**1.6**	7.2	9.9	**98.1**	**3.447**	3.569	**3.539**
1.250	**Germany** 2	**1.344**	**51.4**	56.6	34.2	**126.6**	**1.300**	1.266	**2.089**
3.250	10	**3.238**	**-23.0**	-19.9	-23.1	**47.1**	**3.176**	3.239	**3.029**
0.550	**Hong Kong** 2	**0.448**	**-38.2**	-27.5	-38.7	**20.9**	**0.459**	0.537	**1.032**
2.640	10	**2.398**	**-107.0**	-100.8	-116.9	**-72.8**	**2.367**	2.301	**1.830**
3.750	**Italy** 2	**1.571**	**74.1**	82.2	62.6	**241.9**	**1.556**	1.550	**3.242**
4.250	10	**3.983**	**51.5**	60.6	47.9	**187.9**	**3.981**	3.949	**4.437**
0.300	**Japan** 2	**0.184**	**-64.6**	-55.3	-66.4	**-27.8**	**0.181**	0.260	**0.545**
1.300	10	**1.290**	**-217.8**	-209.0	-208.5	**-117.3**	**1.285**	1.385	**1.385**
4.000	**Netherlands** 2	**0.901**	**7.1**	12.1	5.4	**144.9**	**0.855**	0.978	**2.272**
4.000	10	**3.468**	**0.0**	4.4	6.6	**102.7**	**3.419**	3.536	**3.585**
3.200	**Portugal** 2	**1.277**	**44.7**	49.0	31.1	**205.8**	**1.224**	1.235	**2.881**
4.750	10	**3.753**	**28.5**	35.3	31.1	**136.7**	**3.728**	3.781	**3.925**
5.350	**Spain** 2	**1.386**	**55.6**	63.6	50.2	**192.7**	**1.370**	1.426	**2.750**
4.300	10	**3.768**	**30.0**	37.5	33.6	**126.0**	**3.750**	3.806	**3.818**
4.000	**Switzerland** 2	**0.420**	**-41.0**	-30.8	-39.3	**18.5**	**0.426**	0.531	**1.008**
3.000	10	**1.911**	**-155.7**	-148.0	-144.8	**-52.0**	**1.895**	2.022	**2.038**
3.250	**U.K.** 2	**1.213**	**38.3**	40.6	-3.8	**98.5**	**1.140**	0.886	**1.808**
4.500	10	**3.702**	**23.4**	25.2	25.4	**90.1**	**3.627**	3.724	**3.459**
0.750	**U.S.** 2	**0.830**	**...**	...	...	**...**	**0.734**	0.924	**0.823**
3.375	10	**3.468**	**...**	...	...	**...**	**3.375**	3.470	**2.558**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.415%**	16.52	-3.53%	-5.04%	-23.06%	-17.36%
10-year Treasury	**3.483**	8.36	-2.29	-0.80	-6.91	-4.25
7 Year Treasury	**2.972**	6.31	-1.71	0.57	...	...
Five-year Treasury	**2.248**	4.71	-1.10	1.12	1.09	1.54
Ryan Index	**2.546**	6.79	-1.59	-0.44	-4.82	-2.65
3 Year Treasury	**1.315**	2.88	-0.57	0.90	1.97	2.40
Two-year Treasury	**0.845**	1.97	-0.34	0.59	1.73	2.07
1 Year Treasury	**0.325**	0.96	-0.07	0.24	0.99	1.32
Six-month Treasury	**0.183**	0.50	-0.01	0.06	0.62	0.77
Ryan Cash Index-a	**0.160**	0.44	-0.02	0.09	0.53	0.64
Three-month bill	**0.051**	0.25	0.01	0.05	0.36	0.35
One-month bill	**0.081**	0.07	...	0.01	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	4.00%
Canada	**2.25**	4.00
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	3.25
Switzerland	**0.53**	2.08
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23469%**	1.86750%
Three month	**0.25656**	2.18563
Six month	**0.48375**	2.55125
One year	**1.02563**	2.69250

	Latest	52 wks ago
Euro Libor		
One month	**0.45500%**	3.21500%
Three month	**0.68125**	3.56750
Six month	**0.98000**	3.63125
One year	**1.22250**	3.70250
Hibor		
One month	**0.05000**	1.18143%
Three month	**0.10893**	1.78857
Six month	**0.25000**	2.29286
One year	**0.54000**	2.50000
Asian dollars		
One month	**0.2445%**	1.88%
Three month	**0.2658**	2.1880
Six month	**0.4938**	2.5580
One year	**1.0325**	2.6740

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.4000**	0.3000
Six month	**0.5500**	0.4500
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	1.25%
Fed-funds target	**0.25**	1.00
Call money	**2.00**	2.75
Overnight repurchase rates		
U.S.	**0.22%**	0.10%
U.K. (BBA)	**0.473**	1.737
Euro zone	**0.68**	2.80

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	388.50	-12.25	-3.06%	712.25	315.50
Soybeans (cents/bu.)	CBOT	1043.00	-4.00	-0.38	1,315.00	794.00
Wheat (cents/bu.)	CBOT	558.00	-13.50	-2.36	1,029.25	459.00
Live cattle (cents/lb.)	CME	83.200	0.300	0.36%	108.600	82.750
Cocoa ($/ton)	ICE-US	3,376	-12	-0.35	3,439	1,994
Coffee (cents/lb.)	ICE-US	141.35	-3.30	-2.28	188.65	115.00
Sugar (cents/lb.)	ICE-US	22.52	-0.59	-2.55	26.25	11.91
Cotton (cents/lb.)	ICE-US	73.82	-0.42	-0.57	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,562.00	84	3.39	2,596	2,013
Cocoa (pounds/ton)	LIFFE	2,247	-5	-0.22	2,267	1,475
Robusta coffee ($/ton)	LIFFE	1,320	-26	-1.93	1,955	1,295
Copper (cents/lb.)	COMEX	323.75	-0.75	-0.23	365.00	135.50
Gold ($/troy oz.)	COMEX	1169.50	-48.80	-4.01	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1852.00	-60.80	-3.18	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,136.00	-7.00	-0.33	2,143.00	1,288.00
Tin ($/ton)	LME	15,100.00	-50.00	-0.33	15,700.00	9,750.00
Copper ($/ton)	LME	7,065.00	-35.00	-0.49	7,100.00	2,815.00
Lead ($/ton)	LME	2,365.00	-71.00	-2.91	2,487.00	870.00
Zinc ($/ton)	LME	2,387.00	-19.00	-0.79	2,406.00	1,065.00
Nickel ($/ton)	LME	16,000	-195	-1.20	21,150	9,175
Crude oil ($/bbl.)	NYMEX	75.47	-0.99	-1.29	139.00	47.31
Heating oil ($/gal.)	NYMEX	2.0268	-0.0227	-1.11	4.1847	1.3640
RBOB gasoline ($/gal.)	NYMEX	1.9750	-0.0180	-0.90	2.7100	1.1525
Natural gas ($/mmBtu)	NYMEX	4.586	0.127	2.85	12.920	4.432
Brent crude ($/bbl.)	ICE-EU	77.52	-0.84	-1.07	108.19	48.19
Gas oil ($/ton)	ICE-EU	635.50	2.00	0.32	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 4

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.6675	0.1764	3.8063	0.2627
Brazil real	2.5588	0.3908	1.7185	0.5819
Canada dollar	1.5637	0.6395	1.0502	0.9522
1-mo. forward	1.5638	0.6395	1.0502	0.9522
3-mos. forward	1.5638	0.6395	1.0502	0.9522
6-mos. forward	1.5639	0.6394	1.0503	0.9521
Chile peso	747.63	0.001338	502.10	0.001992
Colombia peso	2988.22	0.0003346	2006.87	0.0004983
Ecuador US dollar-f	1.4890	0.6716	1	1
Mexico peso-a	18.7349	0.0534	12.5822	0.0795
Peru sol	4.2757	0.2339	2.8715	0.3483
Uruguay peso-e	29.557	0.0338	19.850	0.0504
U.S. dollar	1.4890	0.6716	1	1
Venezuela bolivar	3.20	0.312761	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6258	0.6151	1.0919	0.9159
China yuan	10.1655	0.0984	6.8271	0.1465
Hong Kong dollar	11.5398	0.0867	7.7501	0.1290
India rupee	68.7099	0.0146	46.1450	0.0217
Indonesia rupiah	14019	0.0000713	9415	0.0001062
Japan yen	133.94	0.007466	89.96	0.011117
1-mo. forward	133.92	0.007467	89.94	0.011119
3-mos. forward	133.87	0.007470	89.91	0.011123
6-mos. forward	133.75	0.007477	89.82	0.011133
Malaysia ringgit-c	5.0336	0.1987	3.3805	0.2958
New Zealand dollar	2.0757	0.4818	1.3940	0.7174
Pakistan rupee	124.555	0.0080	83.650	0.0120
Philippines peso	68.918	0.0145	46.285	0.0216
Singapore dollar	2.0662	0.4840	1.3877	0.7206
South Korea won	1716.74	0.0005825	1152.95	0.0008673
Taiwan dollar	47.871	0.02089	32.150	0.03110
Thailand baht	49.345	0.02027	33.140	0.03018

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6716	1.4890
1-mo. forward	1.0001	0.9999	0.6716	1.4889
3-mos. forward	1.0003	0.9997	0.6718	1.4885
6-mos. forward	1.0009	0.9992	0.6722	1.4877
Czech Rep. koruna-b	25.687	0.0389	17.251	0.0580
Denmark krone	7.4419	0.1344	4.9979	0.2001
Hungary forint	267.82	0.003734	179.87	0.005560
Norway krone	8.4371	0.1185	5.6663	0.1765
Poland zloty	4.0553	0.2466	2.7235	0.3672
Russia ruble-d	43.914	0.02277	29.492	0.03391
Sweden krona	10.3457	0.0967	6.9481	0.1439
Switzerland franc	1.5084	0.6630	1.0130	0.9872
1-mo. forward	1.5080	0.6631	1.0128	0.9874
3-mos. forward	1.5074	0.6634	1.0123	0.9878
6-mos. forward	1.5061	0.6639	1.0115	0.9886
Turkey lira	2.2124	0.4520	1.4858	0.6730
U.K. pound	0.9007	1.1103	0.6049	1.6532
1-mo. forward	0.9008	1.1101	0.6050	1.6529
3-mos. forward	0.9012	1.1097	0.6052	1.6523
6-mos. forward	0.9017	1.1091	0.6056	1.6514
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5613	1.7815	0.3770	2.6526
Egypt pound-a	8.1223	0.1231	5.4549	0.1833
Israel shekel	5.6158	0.1781	3.7715	0.2651
Jordan dinar	1.0538	0.9489	0.7078	1.4129
Kuwait dinar	0.4252	2.3521	0.2855	3.5023
Lebanon pound	2236.48	0.0004471	1502.00	0.0006658
Saudi Arabia riyal	5.5845	0.1791	3.7505	0.2666
South Africa rand	11.0733	0.0903	7.4368	0.1345
United Arab dirham	5.4692	0.1828	3.6731	0.2722
SDR -f	0.9259	1.0801	0.6218	1.6082

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
31	**ASIA-PACIFIC**	**DJ Asia-Pacific**	122.71	-1.56	-1.26%	31.1%	48.1%
...	Australia	**SPX/ASX 200**	4702.22	-72.37	-1.52	26.3	34.7
31	China	**CBN 600**	29532.85	214.96	0.73%	100.0	82.2
21	Hong Kong	**Hang Seng**	22498.15	-55.72	-0.25	56.4	62.5
19	India	**Sensex**	17101.54	-84.14	-0.49	77.3	90.8
...	Indonesia	**Jakarta Composite**	2511.545	11.508	0.46	85.3	108.9
...	Japan	**Nikkei Stock Average**	10022.59	44.92	0.45	13.1	26.6
...		**Topix**	889.58	1.54	0.17	3.5	13.2
...	Malaysia	**Kuala Lumpur Composite**	1270.20	-2.15	-0.17	44.9	51.5
...	New Zealand	**NZSX-50**	3146.457	-7.473	-0.24	15.9	16.2
8	Pakistan	**KSE 100**	9009.13	-87.10	-0.96	53.6	-1.9
16	Philippines	**Manila Composite**	3061.99	-28.92	-0.94	63.5	62.1
...	Singapore	**Straits Times**	2791.01	-17.17	-0.61	58.4	68.2
11	South Korea	**Kospi**	1624.76	9.76	0.60	44.5	58.0
21	Taiwan	**Weighted**	7650.91	-33.76	-0.44	66.6	81.1
10	Thailand	**SET**	701.58	-5.26	-0.74	55.9	78.6
50	**EUROPE**	**DJ Stoxx 600**	249.03	2.70	1.10	26.5	31.2
22		**DJ Stoxx 50**	2526.78	29.77	1.19	22.3	26.8
62	**Euro Zone**	**DJ Euro Stoxx**	270.93	2.86	1.07%	21.6%	31.2%
20		**DJ Euro Stoxx 50**	2910.33	34.19	1.19	18.7	29.2
19	Denmark	**OMX Copenhagen**	317.40	2.35	0.75	40.3	38.9
19	Finland	**OMX Helsinki**	6204.49	28.77	0.47	14.8	20.8
19	France	**CAC-40**	3846.62	47.51	1.25	19.5	28.7
22	Germany	**DAX**	5817.65	47.30	0.82	20.9	32.8
16	Italy	**FTSE MIB**	22926.03	310.09	1.37	17.8	27.6
...	Netherlands	**AEX**	321.13	3.52	1.11	30.6	40.0
...	Russia	**RTSI**	1427.13	17.81	1.26	125.9	142.0
11	Spain	**IBEX 35**	12032.2	126.9	1.07	30.8	41.7
14	Switzerland	**SMI**	6501.16	57.08	0.89	17.5	17.5
...	Turkey	**ISE National 100**	50101.98	424.78	0.86	86.5	108.5
15	U.K.	**FTSE 100**	5322.36	9.36	0.18	20.0	31.4
21	**AMERICAS**	**DJ Americas**	292.94	1.28	0.44	29.6	36.3
...	Brazil	**Bovespa**	67603.52	-711.29	-1.04%	80.0	91.3
...	Argentina	**Merval**	2174.47	-38.59	-1.74	101.4	116.3
20	Mexico	**IPC**	32105.39	137.96	0.43	43.5	59.9

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.23%	20	**DJ Global Index**	226.50	-0.34	-0.34%	44.0%	-0.1%	-6.1%
1.89	21	**Global DOW**	1974.49	-8.07	-8.07	41.9	-0.4	-1.8
2.40		**Asia/Pacific 600**	114.87	-2.19	-2.19	34.9	-1.9	-7.0
1.79	15	**Emerging Markets**	277.70	-0.80	-0.80	107.7	-0.3	4.2
2.17	31	**Asia/Pacific**	122.71	-1.56	-1.56	48.1	-1.3	-5.0
2.42	13	**Asia/Pacific ex-Japan**	311.23	-2.71	-2.71	94.2	-0.9	1.4
2.64	22	**Southeast Asia**	153.82	-0.86	-0.86	91.0	-0.6	1.8
0.81	31	**CBN China 600** -c	29532.85	214.96	214.96	82.2	0.7	28.4
0.84	34	**Shanghai**	393.97	3.03	3.03	82.4	0.8	28.4
0.57	48	**Shenzhen**	420.60	-4.15	-4.15	102.1	-1.0	34.1
2.11	20	**China Offshore 50**	4239.15	-8.22	-8.22	69.6	-0.2	13.5
9.02	9	**Australia LPT** -c, d	1083.70	-10.64	-10.64	-0.2	-1.0	-21.3

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.18%	15	**Islamic Market**		0.00	0.00%			
2.48	16	**Islamic Market 100**	2113.72	-4.01	-4.01	29.9%	-0.2%	-2.4%
9.81	19	**Bahrain**	119.93	0.25	0.25	-26.1	0.2	-13.0
2.96	30	**Kuwait**	187.69	-2.96	-2.96	-29.6	-1.6	-14.2
2.65	19	**Sustainability**	1020.47	-2.63	-2.63	47.6	-0.3	-6.3
2.72	50	**Stoxx 600**	276.92	-0.65	-0.65	54.1	-0.2	-7.5
4.74	17	**Stoxx Select Div 30**	1835.39	-3.09	-3.09	49.9	-0.2	-19.5
3.98	23	**Euro Stoxx Sel Div 30**	2191.62	-8.10	-8.10	54.6	-0.4	-14.7
1.79	29	**DJ U.S. TSM**	11338.40	82.32	82.32	29.8	0.7	-7.3
4.03	15	**U.S. Select Dividend -d**	644.00	6.18	6.18	11.1	1.0	-10.0
4.60		**U.S. REIT**	143.47	3.72	3.72	31.8	2.7	-19.4
		DJ-UBS Commodity -p	134.79	-1.34	-1.34	27.0	-1.0	-7.7

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.092	0.605	1.050	6.827	0.672	7.750	46.145	9415.31	89.955	1.394	1152.95	3.380	46.285	1.388	1.013	32.150	33.140
Australia	0.916		0.554	0.962	6.253	0.615	7.098	42.262	8623.01	82.385	1.277	1055.93	3.096	42.390	1.271	0.928	29.445	30.351
Britain	1.653	1.805		1.736	11.287	1.110	12.813	76.289	15565.86	148.718	2.305	1906.12	5.589	76.521	2.294	1.675	53.152	54.789
Canada	0.952	1.040	0.576		6.501	0.639	7.380	43.939	8965.25	85.655	1.327	1097.84	3.219	44.073	1.321	0.965	30.613	31.556
China	0.1465	0.160	0.089	0.154		0.098	1.135	6.759	1379.12	13.176	0.204	168.88	0.495	6.780	0.203	0.148	4.709	4.854
Euro	1.489	1.626	0.901	1.564	10.165		11.540	68.710	14019.40	133.943	2.076	1716.74	5.034	68.918	2.066	1.508	47.871	49.345
Hong Kong	0.129	0.141	0.078	0.136	0.881	0.087		5.954	1214.87	11.607	0.180	148.77	0.436	5.972	0.179	0.131	4.148	4.276
India	0.0217	0.0237	0.0131	0.0228	0.1479	0.0146	0.1679		204.04	1.9494	0.0302	24.99	0.0733	1.0030	0.0301	0.0220	0.6967	0.7182
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0096	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.076	0.007	0.086	0.513	104.67		0.015	12.82	0.038	0.515	0.015	0.011	0.357	0.368
New Zealand	0.717	0.783	0.434	0.753	4.897	0.482	5.559	33.102	6754.07	64.529		827.07	2.425	33.203	0.995	0.727	23.063	23.773
South Korea	0.0009	0.0009	0.0005	0.0009	0.0059	0.0006	0.0067	0.0400	8.17	0.0780	0.0012		0.0029	0.0401	0.0012	0.0009	0.0279	0.0287
Malaysia	0.296	0.323	0.179	0.311	2.020	0.199	2.293	13.650	2785.18	26.610	0.412	341.06		13.692	0.410	0.300	9.510	9.803
Philippines	0.022	0.024	0.013	0.023	0.148	0.015	0.167	0.997	203.42	1.944	0.030	24.91	0.073		0.030	0.022	0.695	0.716
Singapore	0.721	0.787	0.436	0.757	4.920	0.484	5.585	33.254	6785.07	64.825	1.005	830.87	2.436	33.355		0.730	23.169	23.882
Switzerland	0.987	1.078	0.597	1.037	6.739	0.663	7.651	45.553	9294.48	88.801	1.376	1138.15	3.337	45.691	1.370		31.737	32.715
Taiwan	0.031	0.034	0.019	0.033	0.212	0.021	0.241	1.435	292.86	2.798	0.043	35.86	0.105	1.440	0.043	0.032		1.031
Thailand	0.030	0.033	0.018	0.032	0.206	0.020	0.234	1.392	284.11	2.714	0.042	34.79	0.102	1.397	0.042	0.031	0.970	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 04, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	299.77	-0.19%	**31.7%**	36.2%
2.50	26	**World (Developed Markets)**	1,170.57	-0.28	**27.2**	31.1
1.90	124	**World Small Cap**	186.47	-0.45	**38.9**	47.0
2.60	22	**Kokusai (World ex-Japan)**	1,158.55	-0.58	**29.8**	33.0
3.10	26	**EAFE**	1,612.59	0.48	**30.3**	38.0
2.20	20	**Emerging Markets (EM)**	986.07	0.46	**73.9**	87.1
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	415.50	0.71	**68.0**	82.7
2.10	25	**AC Far East ex-Japan**	446.39	1.02	**63.7**	80.1
1.80	-35	**Japan**	553.08	3.54	**4.4**	7.3
1.90	20	**China**	66.92	1.07	**64.1**	81.3
0.90	39	**China A (China Domestic)**	3,419.63	-0.19	**97.2**	96.7
2.60	23	**Hong Kong**	10,349.07	1.72	**57.9**	63.8
1.00	21	**India**	697.76	0.16	**89.0**	101.5
1.10	24	**Korea**	462.26	1.50	**50.6**	54.7
2.40	21	**Malaysia**	470.21	0.13	**46.4**	48.2
3.10	17	**Singapore**	1,577.49	0.63	**58.3**	60.4
2.70	315	**Taiwan**	278.43	0.24	**60.6**	66.2
3.10	20	**Thailand**	288.17	1.96	**55.7**	73.6
4.00	25	**Australia**	982.01	0.23	**28.3**	27.2
5.30	16	**New Zealand**	85.51	-0.20	**12.6**	10.3
1.90	32	**US BROAD MARKET**	1,211.41	-0.88	**23.3**	25.2
3.40	17	**EUROPE**	85.63	-0.20	**23.3**	18.4

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS

Dubai: A high rise, then a steep fall

Sheik Mohammed's dreams of a tolerant, modern metropolis are spoiled by crisis; property investors cry foul

By **Chip Cummins, Stefania Bianchi and Mirna Sleiman**

Getty Images

A woman and child in Dubai ride the metro past the nearly completed Barj Dubai, the world's tallest building, last week.

DUBAI—As the financial crisis roiled much of the world in October 2008, the head of Dubai's biggest state-owned developer unveiled his latest megaproject: a $38 billion development that would include a tower about one kilometer tall.

"I'm sure most of you are asking why we're launching this, and you'd be mad not to question it," said the executive, Chris O'Donnell, at a news conference. Though there would be economic ups and downs in the years needed to build the tower, Mr. O'Donnell told listeners, demand would continue to outstrip supply.

"The fundamentals in the market are too strong," he said. "There won't be a crash."

Since then, residential real-estate prices in Dubai have slumped by almost 50%. Developers have slashed jobs and scrapped projects. Groundbreaking on the tower was long ago put on hold. The year-long retrenchment culminated in the recent announcement that Dubai would seek to restructure $26 billion of debts owed by **Dubai World**, the holding company for many of the government's port, infrastructure and real-estate businesses.

Behind this jolt was one of the world's most concentrated property bubbles. Some $430 billion worth of construction projects have been scrapped across the United Arab Emirates, a desert country with a population of just 4.5 million and an area smaller than South Korea. The majority were slated for the emirate of Dubai, according to estimates by the Middle East Economic Digest, a regional projects tracker.

The boom was fueled by easy credit, a poorly regulated market overrun by speculators, and cheerleading from Dubai officials—including the hereditary ruler, Sheik Mohammed bin Rashid Al Maktoum.

His vision for the city—a tolerant, modern metropolis open to the world, its many faiths and some of its excesses—has long rankled conservative Arab neighbors, including some officials in Abu Dhabi, the buttoned-down capital of the U.A.E. But for others, Dubai became a symbol of what a modern Arab state might achieve if it embraced the West and its financial system. President Barack Obama, in a June speech to the Muslim world in Cairo, singled out Dubai as a place where economic development worked.

Officials and developers justified the breakneck pace at which these were built by touting Dubai's proximity to both Asia and Europe, its tax-free and tolerant way of life, and its position as the region's business hub. Foreign executives, architects and real-estate brokers flocked here for the seemingly limitless scope to pursue big projects. International debt and property investors bought into the dream, too, until global financial markets seized up and much of the world plunged into recession. Then, buyers began to bail out, employers shed staff and companies put expansion on hold.

The result is a jaw-dropping real-estate overhang. "To Let" signboards adorn the facades of dozens of recently finished buildings along Sheikh Zayed Road, the superhighway that cuts through the city's canyon of skyscrapers. Office vacancies in new buildings run at 41%, according to international property agency Colliers International.

After taking markets by surprise with a request to delay debt payments at Dubai World by six months or more, Dubai's government said last Tuesday it would begin a multiphase restructuring effort aimed at the company's debt, including $6 billion related to lending by the state-owned property developer, Nakheel. It said the restructuring would include the assessment of "deleveraging options," including asset sales. Dubai World said it had started discussions with its banks and these were proceeding on a "constructive basis."

International securities markets recovered their poise after the scare, but the effects aren't just financial. The debt announcement appeared to open a fresh rift between Dubai and U.A.E. capital Abu Dhabi. Federal officials there were livid at being left in the dark by Dubai's decision to seek a debt standstill, said people familiar with the situation. The rift has the potential to unsettle an important U.S. ally in the Persian Gulf, because Dubai, as a re-export hub and offshore financial center for Iranian businesses, is seen as key to U.S. efforts to isolate Iran.

Dubai and Abu Dhabi officials have underscored unity in recent days. But while the U.A.E. federal government orchestrated a $10 billion bailout earlier this year for Dubai companies, it hasn't stepped in to offer aid to Dubai World.

Simon Murphy bought a $240,000 ground-floor apartment in Nakheel's palm-shaped development Palm Jumeirah in 2002 and moved in five years later. He is now a "resident representative" to Nakheel, like being part of a homeowners board. He said that in recent weeks, Nakheel has cut back on maintenance, including tree trimming.

Since Dubai's debt-standstill announcement, Mr. Murphy said, many apartment residents have stopped paying management fees, typically around $700 a month per resident. Nakheel declined to comment.

"Most people fear that their money will go into the bottomless pit of Nakheel debt," Mr. Murphy said.

A spokesman for Nakheel didn't respond to emailed questions, nor did a spokesman for Dubai's ruler.

The bull market for U.S. stocks shows signs of aging

Continued from page 23

Part of the problem could be simple fatigue: Stocks have barely taken a breather in their nine-month sprint.

But there also is a more fundamental problem. Investors have pushed stocks ahead strongly based on hopes for significant improvement in the economy in 2010. As the new year approaches, investors are worrying whether businesses can deliver the kind of results they have been hoping for.

"If people are disappointed, the market could get blasted," says Phil Roth, chief technical market analyst at New York brokerage firm Miller Tabak.

Mr. Roth and other analysts say they see no signs of imminent danger. Stocks often have trouble early in December, a time when some investors are selling weak stocks to realize losses and reduce the capital-gains taxes they have to pay on the sale of winners.

What these analysts are watching now is whether the market will turn up strongly late in December and early in January, when new money typically comes back into stocks.

If that happens, it will be seen as a sign of confidence, bullish for future gains. If not, anxiety is likely to worsen.

Ned Davis Research still is advising clients to keep 70% of investments in stocks, the most it ever recommends, with the rest in bonds and cash.

But the firm has turned neutral on small stocks, an early sign of caution. And Ned Davis, the firm's founder, has been advising clients to protect their stock exposure with hedges such as option contracts that can buffer them from a sudden downturn.

"The tailwinds from the economic bottom are still blowing fairly hard," says Ed Clissold, a Ned Davis Research analyst. "But after we get past the first couple months of 2010, we are going to be on alert. We could get a stiff correction or even a bear market."

Ned Davis Research is concerned about the shrinking number of stocks participating in the gains. As a bull market begins to lose momentum, the smaller, riskier stocks begin to decline, gradually followed by larger stocks.

Analysts track the number of stocks rising and falling on a daily, weekly or two-week basis. Lately, the ratio of advancers to decliners hasn't been as strong as earlier in the market advance. Instead of being powered by rampaging small stocks, indexes are being pushed higher by a more restricted group of big stocks.

Some analysts doubt the market will face any serious trouble for months. Paul Desmond, president of Lowry Research in North Palm Beach, Fla., says all these weak signals are an indication that stocks could face a short-term pullback rather than a longer-term threat.

Mr. Desmond's measure of selling pressure, based on the amount of trading done in declining stocks compared to trading in advancing stocks, suggests that most of the current trading is still being initiated by buyers seeking to own shares rather than sellers wanting out of the market. That is an important distinction for analysts like him and leads him to believe that the rally could continue for months to come.

Craig Peskin, co-head of technical analysis at brokerage firm Concept Capital, tracks another indicator that has been showing weakness: the percentage of S&P 500 stocks that are rising faster than the overall index.

That percentage tends to be high when the market is booming, and lately it has been trending downward, finishing Friday at 50%. But Mr. Peskin notes that it was even weaker at times in the spring and the summer, meaning that investors could just be pulling back on a temporary basis.

One big wild card for whether investors come back is the Federal Reserve. When it is pumping money into the U.S. financial system by purchasing bonds, and keeping interest rates low, the money tends to leak into stocks, pushing them higher.

Some analysts worried Friday that the stronger-than-expected November employment report could move the Fed closer to ending the bond-buying program and selling bonds back into the market. Such a shift by the Fed would reduce the amount of government money supporting stocks.

"The data tell you that we are late in the bull market. They don't tell you that it is over," says Mr. Roth of Miller Tabak. "Let's look at the market's strength in January and then reassess at that point."

HEARD ON THE STREET

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Decoding China derivatives talk

Foreign investment banks are getting browbeaten by a senior Chinese official again. That doesn't create good headlines for the banks, but what lies behind the tongue-lashing may not be all bad.

The criticism this time is coming from Li Wei, a vice chairman at the State-Owned Assets Supervision and Administration Commission, or SASAC, the body that supervises China's state-owned enterprises. Citing the combined $1.67 billion of losses these companies posted on derivatives—ostensibly aimed at hedging fuel costs and currency moves—by October last year, Mr. Li lashed out at the likes of **Morgan Stanley**, **Goldman Sachs Group** and **Bank of America**'s Merrill Lynch, accusing them of "fraudulent practices" in selling the instruments to some of China's top airlines and shipping companies.

Understanding the context of Mr. Li's criticisms is essential.

Beijing was forced to pump billions of dollars into supporting companies such as **China Eastern Airlines** after they took big derivative-position losses.

Still, the timing of Mr. Li's critique seems odd. The derivatives caused havoc last year, but they are helping profits in 2009 as oil prices rise. China Eastern's $185 million net profit for the first nine months came mostly due to a $433 million mark-to-market gain on derivatives. Other companies seem to have renegotiated their positions.

Understanding the context of Mr. Li's essay is important. Given that it was written for a Communist Party newspaper, its intent looks primarily political. And as much as he criticizes the foreign investment banks, Mr. Li also has harsh words for failings in the Chinese companies' own internal controls. His underlying message: Blame anyone for the losses and the bailouts, just don't blame SASAC.

For sure, this is a shot across the investment banks' bows. Chinese regulators, already suspicious of foreign institutions they see as inordinately influential, want to make it clear that their country's companies aren't to be trifled with. The smarter banks will in the future redouble efforts to ensure Chinese corporate customers understand what they are buying, and whether those products are appropriate.

Still, as Mr. Li acknowledges, if properly used for hedging, rather than speculation, derivatives should be beneficial to those wanting to hedge input costs. Chinese companies, Mr. Li wrote, shouldn't "give up eating for fear of choking."

In other words, there still is demand in China for derivatives, demand investment banks are keen to satisfy.

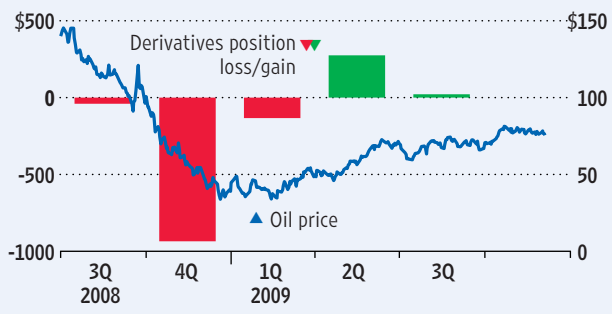
If that can happen within a true "buyer-beware" culture, they may be able to do so without fear of getting whacked over the head when things go wrong.

—Andrew Peaple

Bloomberg News

Shanghaied by derivatives

China Eastern Airlines' quarterly loss/gain on derivatives positions (left axis) and crude-oil price on the continuous front-month contract (right axis)



Sources: the company (derivatives position loss/gain), WSJ Market Data Group (oil price)

For U.K., a slight that contains truth

During the boom, the City of London loved to boast how it had overtaken New York's importance in the financial world, partly thanks to its superior regulation. So Ben Bernanke's testimony to Congress Thursday highlighting the U.K. as an example of how not to run a financial center put a few noses out of joint in London.

Thanks to the U.K.'s ineffective tripartite system, he said, "when the crisis hit, the Bank of England was in the dark and unable to deal effectively with what turned out to be...a major problem for the British economy."

Of course, U.S. regulation didn't come up smelling of roses. But the Federal Reserve chairman can hardly be accused of exaggerating.

The U.K. banking system required £850 billion ($1.408 trillion) of official support, according to the National Audit Office. Worse, the Treasury still thought **Royal Bank of Scotland Group** was adequately capitalized just a week before it was rescued with £45 billion of government equity, the biggest bank bailout in the world.

London's woes don't end there. This past weekend, the government was putting the finishing touches on what is likely to be another populist "soak-the-rich" budget. The U.K. has some of the highest income taxes among industrialized countries, one of the biggest budget deficits and a currency saved from collapse by a gigantic central-bank government-bond-buying program.

ImageForum

Canary Wharf is home to much of Britain's finance sector.

Of course, the City remains a leading global financial center thanks to advantages such as language, geography, infrastructure, transport links and a robust legal system. Would-be rivals such as Dubai have hardly fared better in the crisis. But the risks now come from an overzealous regulatory backlash and the arrival of a new French single-market commissioner in Brussels whose appointment was heralded by President Nicolas Sarkozy as a major defeat for the U.K.

Chastened Londoners are right to be worried.

—Simon Nixon

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10022.59
▲ **0.45% or 44.92**

A battle for a piece of Japan Airlines lifted the airline's stock and pushed the index above the 10000 mark. A 10% rise for the week snapped a five-week losing streak.

Stock	Volume in millions	Close	Change Net	Change %
Hitachi	**115.48**	246	10	4.24
Mizuho Financial	**91.13**	169	1	0.60
Nippon Yusen	**84.75**	275	16	6.18
Nomura Hldgs	**83.81**	701	30	4.47
NEC	**83.60**	226	4	1.80

ASX 200
Australia 4702.217
▼ **1.52% or 72.377**

Resource stocks fell along with commodity prices, putting a small dent in an otherwise strong weak as the index rose 2.9%, the highest weekly gain since early October.

Stock	Volume in millions	Close	Change Net	Change %
Goodman Grp-Stpl	**41.70**	0.57	...	...
Elders Limited	**41.54**	0.15	–0.01	–6.25
Panaust	**35.51**	0.59	...	...
GPT Group	**28.77**	0.58	–0.01	–0.85
Telstra	**27.95**	3.42	–0.07	–2.01

CBN 600
China 29532.85
▲ **0.73% or 214.96**

The week's 7.4% rise was the fourth in five weeks and the largest since March. Consolidation is possible as investors await an economic-planning conference this month.

Stock	Volume in millions	Close	Change Net	Change %
China State Con	**792.34**	5.00	0.12	2.46
ChinaMinshengBkg	**483.33**	8.01	0.34	4.43
United Network	**407.94**	6.74	0.19	2.90
Icbc	**368.88**	5.41	0.15	2.85
Constr Bank	**339.54**	6.20	0.23	3.85

Straits-Times
Singapore 2791.01
▼ **0.61% or 17.17**

For the week, stocks rose 1%, but some traders expect the market to drift in the near-term, with the index struggling to get much above 2800.

Stock	Volume in millions	Close	Change Net	Change %
Golden Agri	**47.23**	0.48	...	...
Genting Spore	**44.93**	1.08	–0.01	–0.92
CapitaLand	**19.10**	4.11	...	...
Noble Grp	**16.50**	3.09	–0.01	–0.32
Sing Telecom	**14.17**	3.00	–0.04	–1.32

Asian stocks in the news

Nomura Hldgs
Japan ¥701
▲ **4.5% or ¥30**

Gains extended into a 5th day, lifted by high trading volume as the Nikkei has recovered of late.

	Price-to-earnings ratio			43
	Earnings per share, past four quarters			16.20
	Dividend yield			0.9
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services		**-0.5%**	6.9%	63.0%
Nomura Hldgs		**4.5%**	18.4%	14.7%

Shimao Prop
Hong Kong HK$17.20
▲ **4.5% or HK$0.74**

A steady climb has taken the stock to it highest close since February 2008.

	Price-to-earnings ratio			46
	Earnings per share, past four quarters			0.38
	Dividend yield			1.3
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate		**-0.5%**	7.0%	62.2%
Shimao Prop		**4.5%**	25.4%	203.4%

Suzuki Motor
Japan ¥2,325
▲ **4.7% or ¥105**

The auto maker is selling its 50% stake in a Canadian joint venture to its partner General Motors.

	Price-to-earnings ratio			50
	Earnings per share, past four quarters			46.10
	Dividend yield			0.7
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts		**-0.7%**	10.2%	78.8%
Suzuki Motor		**4.7%**	16.7%	122.9%

Nippon Yusen K.K.
Japan ¥275
▲ **6.2% or ¥16**

Investors bought on the view that negative cues related to equity financing had been exhausted.

	Price-to-earnings ratio			none
	Earnings per share, past four quarters			-27.60
	Dividend yield			0.7
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs		**-0.4%**	6.9%	63.3%
Nippon Yusen K.K.		**6.2%**	3.8%	-37.9%

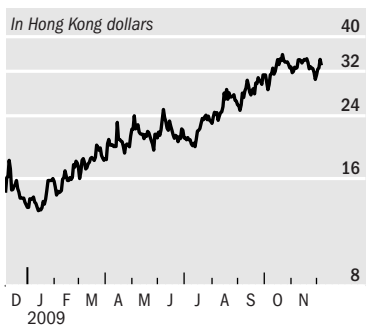
Japan Airlines
Japan ¥100
▲ **8.7% or ¥8**

Speculators bought on the intensifying battle between AMR and Delta to acquire a stake.

	Price-to-earnings ratio			none
	Earnings per share, past four quarters			-98.80
	Dividend yield			none
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure		**-2.0%**	2.8%	13.3%
Japan Airlines		**8.7%**	11.1%	-52.2%

Li & Fung
Hong Kong HK$33.25
▼ **3.8% or HK$1.30**

The exporter declined following a report showing lower-than-expected U.S. retail sales last month.



	Price-to-earnings ratio			46
	Earnings per share, past four quarters			0.72
	Dividend yield			1.8
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds		**-0.4%**	5.4%	28.1%
Li & Fung		**-3.8%**	9.6%	127.7%

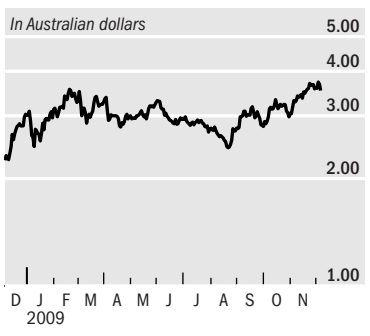
Harvey Norman Hldgs
Australia A$4.30
▼ **3.8% or A$0.17**

Discretionary retailers lost most of Thursday's gains on worries over the pace of economic recovery.

	Price-to-earnings ratio			21
	Earnings per share, past four quarters			0.20
	Dividend yield			1.4
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail		**-1.6%**	2.5%	29.8%
Harvey Norman Hldgs		**-3.8%**	1.9%	83.0%

Lihir Gold
Australia A$3.53
▼ **4.1% or A$0.15**

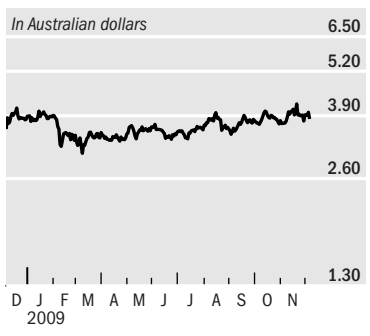
Profit-taking took a toll on the stock price for a second consecutive session.



	Price-to-earnings ratio			none
	Earnings per share, past four quarters			-0.10
	Dividend yield			0.5
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources		**-1.6%**	6.1%	99.3%
Lihir Gold		**-4.1%**	-1.1%	56.9%

Insurance Australia Grp
Australia A$3.82
▼ **4.3% or A$0.17**

The company completed a joint venture with State Bank of India, subject to regulatory approval.



	Price-to-earnings ratio			41
	Earnings per share, past four quarters			0.09
	Dividend yield			1.6
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Insurance		**-0.4%**	6.3%	34.4%
Insurance Australia Grp		**-4.3%**	1.3%	6.7%

TABCorp Hldgs
Australia A$6.90
▼ **5.6% or A$0.41**

Shares fell on news a consortium was bidding for New South Wales state's lotteries business.

	Price-to-earnings ratio			7
	Earnings per share, past four quarters			0.93
	Dividend yield			4.3
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure		**-2.0%**	2.8%	13.3%
TABCorp Hldgs		**-5.6%**	-2.0%	0.3%

THE SEAMSTRESS WITH LINEN THREAD AND BEESWAX

A needle, linen thread, beeswax and infinite patience protect each overstitch from humidity and the passage of time. One could say that a Louis Vuitton bag is a collection of details. But with so much attention lavished on every one, should we only call them details?

LOUIS VUITTON

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